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Agricultural Price-Control in Foreign Countries

The Twelve-Year Fight for Farm Aid in Congress

Provisions of Pending Bill

Would the Domestic Allotment Plan Help the American Farmer?

Progress of Major Legislation in Congress

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The Congressional Digest

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Congress and the Domestic Allotment Plan

Foreword

EVER since the deflation period following the Armistice, Congress has had before it one plan or another designed to insure to the American farmer better prices for his products.

As is pointed out by Representative Jenkins of Ohio, in an article beginning on page 35 of this issue, Congress has passed legislation covering three different plans—the equalization fee, the export debenture and the creation of the Federal Farm Board. Of these, the bills providing for an equalization bill and export debentures were stopped by Presidential veto. The Farm Board bill was passed by Congress and signed by the President, but, in practice, this plan has not proven satisfactory.

Prior to the last session of Congress, the leading farmers' organizations of the country agreed on a joint program, known as the "Three-Way Program." This program involved a choice by Congress of the equalization fee, the export debenture or domestic allotment.

The other two having been the objects of unsuccessful efforts, the farm organizations decided this time to support the allotment plan.

Consequently, bills were introduced and, on December 14, the House Committee on Agriculture began hearings which continued until December 20. On January 3 the bill, H. R. 13991, was reported by Representative Marvin Jones, of Texas, chairman of the committee.

In his article beginning on page 37, Mr. W. R. Ronald, editor of the Mitchell (S. Dak.) Evening Republican, gives the origin and development of the movement for the domestic allotment plan with a complete description of its design and the objects sought to be obtained by it.

Representative Jones explains, in an article beginning on page 39, the exact provisions of the pending measure which are somewhat different from the plan as outlined by its original proponents.

After several days of vigorous debate, the House passed the Jones bill on January 12 by a vote of 203 to 150.

When it reached the Senate the bill was referred to the Committee on Agriculture and Forestry before which hearings are to begin on January 26.

The most radical feature of the domestic allotment bill is that provision which seeks to control agricultural production.

This is a new departure in American agriculture, although many economists have claimed for several years that stability of prices for American agricultural products can never be attained without production control.

The price-fixing feature, while not new, since the Government fixed the price of wheat during the World War, is a departure from American tradition so far as peacetime customs prevail.

These two features were among the principal topics of debate during the committee hearings and while the bill was under consideration on the floor of the House.

As reported from committee the bill covered only four commodities—cotton, wheat, tobacco and hogs, because the advocates of the measure considered that these commodities have a controlling effect upon prices for other agricultural commodities.

On the floor of the House, however, amendments were adopted to include in the bill, in addition, rice, butter fat and peanuts. The fight to open the bill for amendment was led by the dairy organizations, who claimed they had been discriminated against. When they succeeded in having butterfat included in the bill the rice and peanut producers also lined up enough votes to have their products included.

After the bill had passed the House, Senator Ellison D. Smith of South Carolina, visited Governor Franklin D. Roosevelt in New York and, upon his return to Washington, stated that while Governor Roosevelt approved of the allotment plan in principle he felt its provisions should be confined to wheat and cotton.

As a result of this announcement action by the Senate Committee on the House bill is awaited with keen interest by those members of both houses of Congress who have agricultural constituencies.

It is the general opinion in Washington that if the allotment bill passes both houses, which it probably will, President Hoover will veto it. Vigorous efforts were made by Republican leaders in the western agricultural States during the Presidential campaign last year to have Mr. Hoover declare himself in favor of the plan, but the President refused to do so.

Friends of the bill, however, declare that if the bill fails at this session it is certain of passage in the next Congress and they are confident that if the incoming Congress does pass it Mr. Roosevelt, as President, will sign it.

Agriculture Price-Supporting Measures in Foreign Countries

Government intervention for the purpose of enabling farmers to obtain higher and more dependable prices for their products has been an outstanding feature of the world agricultural situation in recent years.

Since the World War, and particularly during the last three or four years, the trend toward a wider application of Governmental price-supporting measures has been especially marked. For some years after the war there had remained a considerable number of countries in which government intervention in support of agricultural prices was either non-existent or relatively unimportant.

But since the onset of the world economic crisis in 1929, of which the agricultural phase has been so prominent, the number of such countries has diminished until now there is scarcely one which does not engage in some measure of direct or indirect activity for the support of prices of home-grown products. In some countries the price-bolstering measures adopted have, to be sure, been much more drastic than in others. In such countries as Denmark, Netherlands, Irish Free State, the United Kingdom, Argentina, and Canada such measures are still, or were until quite recently, either non-existent or comparatively limited in extent. And in some instances, as in the case of the Canadian and Australian wheat bonuses of 1931-32, measures now employed are presumably only temporary expedients, limited to a single year. Nevertheless, the tendency toward a more or less general application of agricultural price maintenance measures throughout the world during the last decade has been on the whole unmistakable and, since 1929, very marked. Measures previously in force have been supplemented in various ways in order to increase their effectiveness; devices which had been employed in earlier times have been revived; and new devices—or old ones recast to meet new conditions—have come into the picture.

In one group are the various restrictions imposed on imports. These include not only tariffs but a variety of more direct forms of restriction such as government licensing systems; import quotas and contingents; importing monopolies; milling and mixing regulations, requiring the use of minimum percentages of home-grown produce; seasonal embargoes or prohibitions; and sanitary restrictions and prohibitions of which the effect, if not the intent, is to raise the prices of similar products grown in the home country.

Almost every country imposes tariff duties, most of them high duties, on agricultural products; and in most countries such duties have been rapidly mounting. But it is the rapidity with which more direct forms of restriction have been taken up and elaborated during the past few years that constitutes the most striking feature on the side of import restriction. In about a dozen countries, mainly European, there are milling quotas on wheat (and in some instances on rye) which reserve minimum percentages of home market requirements for the home-grown product; and the same principle is being increasingly applied in connection with other products. In a large and increasing number of countries import quota systems, limiting imports by some absolute standard, and import licensing systems are in force, the international financial crisis since the summer of 1931 having given new impetus to the adoption of such devices.

A second group of price-supporting measures consists of aids to branches of agriculture which are on an export basis, aids in the form of measures designed directly or indirectly to regulate exports. This regulation may operate in either of two directions. It may take the form of artificial *restriction* of exports. Or it may take the form of artificial *stimulation* of exports. An example of the former is the international sugar agreement (the so-called Chadbourne Plan) limiting exports from the leading sugar-exporting countries for the purpose of raising the entire level of world prices of sugar. In the same category, but applying to a single country, are the Egyptian Government's restriction of cotton acreage (indirectly restricting exports); the "retention system" employed in Greece in connection with currants; and coffee valorization and defense measures in Brazil.

More widely prevalent, however, are the measures tending to stimulate rather than to restrict exports. These include export bounties and premiums in one form or another. They include the so-called "import certificate" system employed in Germany and one or two other countries, which is in reality a type of export bounty and more or less akin to the "export debenture" system proposed in the United States. They include regulatory schemes in a variety of forms of which the central objective is to "lift" the exportable surplus from the domestic market and sell it abroad for whatever it will bring, whilst disposing of the remainder of the crop in the domestic market on a protected price level. With respect to these latter the broad principle involved is similar to that contained in the various measures (the equalization fee, the export debenture scheme, etc.) that have been under consideration in the United States for preventing the exportable surplus of a commodity from depressing the domestic price to the level of world prices. Illustrations are to be found in connection with cereals in some of the Danubian countries, the Union of South Africa, and Southern Rhodesia; and again (in a rather different form) in connection with butter under the so-called Paterson Plan in Australia and under the Dairy Industry Control Act in South Africa. Coming also in this category of measures tending to stimulate exports are tariff bargaining measures designed to secure more favorable foreign outlets for agricultural products, and many other activities having the same object or result.

A third group of measures consists of production bounties and premiums, and other aids granted directly to the producer. Such measures cannot, of course, be entirely disassociated in their ultimate effects from import and export regulation. If applied to a commodity of which a country produces less than it consumes a production bounty, like a tariff, will tend to stimulate domes-

tic production and to diminish imports of that commodity. And if applied to a commodity of which a country produces an exportable surplus, a production bounty, like an export bounty, will tend to stimulate exports of it. Nevertheless, production bounties and premiums possess the distinguishing feature that they are directly and immediately associated with production as such.

Examples of such aids include the Australian production bounties (over a period of years) on raw cotton and flax; the Australian and Canadian bonuses to wheat-growers for the single year 1931-32; grain production premiums in Austria; Belgian subsidies for cultivation of new land areas; a French production premium on flax; a direct subsidy by Netherlands to its sugar-beet industry; Spanish production premiums on certain grades of tobacco; price-fixing and direct subsidy measures in Switzerland with respect to wheat; and the British production bounty to the sugar-beet industry. This, however, is only an illustrative, and by no means an inclusive, list. Production bounties and premiums are often so closely associated with trade control and other measures for aiding producers that it is difficult to draw the line between them. In their efforts to bolster prices of home-grown products governments are apt to rely, not upon a single device, but upon a varied and complex machinery of control of the factors affecting price.

The case of Soviet Russia differs fundamentally from that of other countries in the pervasiveness of the government intervention or control of agriculture, commerce and industry. In the countries dealt with herein government intervention is often sporadic and usually limited in extent, affecting one or perhaps several commodities and classes of producers, but not all. In such countries intervention is usually intended to facilitate private enterprise rather than to supplant it.

The reverse is true of Russia under the Soviet regime. The Soviet State exercises a monopolistic control over the whole economic structure and resources of the country. It owns and operates the large-scale industry, mines, power plants, railways, shipping and other means of communication. It engages in farming on its own account through the institution of State farms, and it largely controls peasant agriculture through the organization of collective farming. It has an exclusive monopoly of banking, currency, foreign trade and exchange operations. It controls the domestic channels of distribution in its capactiy as a manufacturer, farmer, merchant, shipper, and banker. And by administrative measures it can suppress such private competition as still exists.—*Extracts, see 9, p. 64.*

U. S. Congress and the American Farm Problem 1920-1932

By Hon. Thomas A. Jenkins

The Congress of the United States has wrestled with farm relief plans for the past 12 years. The first plan was the McNary-Haugen plan. The second was the export debenture plan. The third was the Federal Farm Board plan. And now we have the allotment plan.

The McNary-Haugen plan won much newspaper comment and was before Congress in many modified forms. It sought to control the surplus of certain farm commodities by providing an equalization fee which would tend to recompense the farmer for the depreciation which his commodity suffered by reason of the surplus. When the law of supply and demand is applying without any interference a surplus is bound to be a depressant on the market. Therefore, it is easy to see that if that depressant were removed prices would swing upward again immediately. For several years the battle raged over this question. The legislative and executive departments of the Government failed to agree upon a course. Each department wished to accomplish the same thing but in a different way. This McNary-Haugen bill was therefore discarded for a new plan known as the debenture plan.

The debenture plan sought to control the local market prices of certain commodities by controlling the exportable surplus of such commodities. This was to be done by issuing to the farmer a certificate or debenture for his share of the exportable surplus as compared to his part of the total yield in the country. This debenture would have been an obligation of this Government and would have been paid by this Government. This would have been an indirect attempt to make a tariff effective by putting a duty on exports. This bill was a great departure and did not become a law. This plan had many warm conscientious advocates. The debenture plan is frequently mentioned yet as the only way out for the farmer. Personally, I have felt that it is not practicable. It goes too far afield to accomplish the results wished for. This plan has been laid aside in the legislative cemetery with many others, and from which it may never be resurrected.

The Federal Farm Board was the third scheme advanced as a sure cure for the ills of the farmer. President Coolidge had opposed the McNary-Haugen bill and his opposition had been carried on vigorously by President Hoover. The latter also opposed the debenture plan, but he did not oppose the Federal Farm Board plan. I have always felt that his principal reason for supporting it was that he recognized the fact that the farmers, as a group, represent the flower of our citizenry and that they were sincere in their demands and that their condition deserved the best consideration that might be given to them. No doubt he would have preferred allowing the farmers to work out their salvation in a way that would have left them upon a sound basis.

The theory upon which the Federal Farm Board was established is more reasonable and would come more nearly reaching the farmer's problem than any other theory advanced. It is well recognized that the farmer's basic trouble is his failure to fix the price which he should receive for what he sells and fails to fix the price of that which he buys. He sells in a buyer's market and buys in a seller's market. The law which established the Federal Farm Board sought to arrange some plan by which the farmer could be assisted in controlling to some small degree the price for which he sold a few of his leading crops. Wheat, cotton, and tobacco were selected as the crops upon which the first trial would be made. The plan was to control the surplus of these crops. Con-

trolling the surplus is the object in each of these bills.

The McNary-Haugen bill sought to control the surplus by an equalization fee. This would charge the surplus to the farmers generally. The debenture plan sought to control the surplus by paying the farmer for the exportable surplus. The Federal Farm Board law sought to control the surplus through the establishment of Government-financed cooperatives. It took the cooperative idea (which has been carried on by the farmers in some sections with much success) and sought to extend it in a big way. This bill was passed in 1929. It was approved by President Hoover. The bill provided for an appropriation of $500,000,000. A board of eight members was provided for. This board was to be named by the President. President Hoover named a strong board and one that was at once recognized as capable of dealing with the problem of raising the economic and financial state of agriculture. He selected one of the best-known tobacco men in America. And one of the leading cotton experts in the land. Likewise, the whole board was selected with this idea of bringing experts in various fields of agricture together to study the question. This board soon began to function. Exhaustive studies were made by many experts. Everybody connected with the great experiment moved about his work with hope and confidence. To the task of conquering the surplus they dedicated themselves most industriously. The board's plans were carefully worked out, and soon the money began to flow out into the agricultural sections. The plan was to discourage increased acreage by education and advertising and any other reasonable method, and to control the movement of crops when produced so that they were not all dumped on the market at the same time. The plan, therefore, was cooperative in curtailment of acreage and in orderly marketing.

If this plan could have been carried out, it would, in my opinion, have solved the farmer's problem, for it would have handled the surplus in a sensible way. Curtailment of acreage was planned, to be accomplished without force or favoritism, and orderly marketing was planned, to be carried on with intelligence. This would have been an aid to the transportation agencies and to the ultimate consumer. All of which would have insured the farmer a fair price, a steady market, and a satisfied consumer, who in the last analysis is a most important equation in the problem. But in spite of this beautiful set-up the Federal Farm Board has become what the boy on the street describes as a "beautiful flop." Everywhere, among farmers especially, it is considered by many as a total failure. Many people who have no idea of the work this board did and who know nothing about its plans criticize it unmercifully. A large per cent of the farmers in the agricultural States voted against Mr. Hoover, although he had favored this legislation which took out of the Treasury that he was guarding so zealously the tremendous sum of $500,000,000. A law so beautiful in theory, a law the executive force of which was marked by so much business sagacity and supported and encouraged by such an adequate financial exchequer should not have achieved such an unfavorable position in the minds of our people, although it has lost the confidence of the people. I for one still believe that it has done much good. But when the reason for its failure is seen and studied we are almost forced to the conclusion that there is no sure solution for the farmers' troubles. Indeed, one is forced to ask, Is there any real farmers' trouble? Has the farmer any real trouble that cannot be solved by industry, thrift, and usual business acumen? Let us see why the Federal Farm Board plan failed.

In the first place it failed for want of cooperation from the farmers themselves. This want of cooperation is not due to any great extent to the refusal of the farmers but to the fact that it is almost impossible to get cooperation from 30,000,000 people. The expense of securing such cooperation would be absolutely prohibitive. While, as I have stated, failure to cooperate cannot be construed as refusal to cooperate, yet in many cases failure to cooperate was seen in some who recognized that since the Government was trying to lessen acreage and thereby increase the price of the commodity it would be a good time for them to plant an increased acreage. There are several other reasons why this plan failed, but I shall not enter a detailed enumeration or discussion of them. One very determining reason was the influence of the weather conditions on crop production. Weather conditions do not enter much, if any, into the production of manufactured articles. They do not enter much into commercial activities, but they are at least a 25 per cent factor in crop production. In 1930 most parts of the United States witnessed the most destructive drought in history. In southern Ohio the people almost despaired through a period of eight months when there was scarcely any precipitation whatever. Similar conditions prevailed over much of the country. Many farmers gave up in despair and defeat. The weather was not only a 25 per cent factor in 1930 in some sections, but it was a 100 per cent factor. So in each year the weather is an uncertain factor in its extent but a most certain factor to some extent, and a factor which is clearly beyond all human control. The year 1931 was as much unlike 1930 in crop production as possible. In 1931 Mother Nature showed a crop profligacy the like of which the country had never seen.

It was in 1931 that the Federal Farm Board commenced to operate. A more unfortunate time could not have been selected. Out of a drought into a great plenty was not a fair time to test any plan to control a surplus. No human ingenuity could terminate the drought of 1930, and no human agency could stop the bountiful surplus of 1931. The Federal Farm Board went into the market and bought hundreds of millions of bushels of wheat in an attempt to stabilize the price, but in spite of the purchase of this tremendous amount by the Government the price continued to go down and down. It was the same with cotton. This failure marked the defeat of the Federal Farm Board plan. If it had been put into effect a year earlier it might have been successful. Yet it might not have been successful. With this failure of this plan the Government had on hand nearly 300,000,000 bushels of wheat, yet the farmers still had a surplus; and it had on hand millions of bales of cotton, yet the cotton growers had a surplus. And the Government had on hand an expensive organization which it proceeded to disband to some degree, and it had on hand the experience which though very costly might not have been a total failure. The Government has by act of Congress been authorized to turn most of this wheat and cotton over to the Red Cross to be used to assist the destitute in our country. The board still functions, but its usefulness is greatly reduced, and it is my judgment that it will never do what was intended that it should do, which was to control the surplus production of wheat, cotton, and tobacco.—*Extracts, see 10, p. 64.*

The Origin of the Domestic Allotment Plan

by W. R. Ronald

THE idea of the domestic allotment plan was first suggested by the late Dr. W. J. Spillman, of the United States Department of Agriculture, in 1926. In 1929 Prof. John D. Black, of Harvard University, who is also chief economist of the Federal Farm Board, wrote in his collegiate capacity a book entitled "Agricultural Reform in the United States," in which he devoted a chapter to the allotment plan of making the tariff effective on home consumption of farm products of which there is an exportable surplus. He developed the idea considerably from the form in which Doctor Spillman presented it.

In the past two years Prof. M. L. Wilson, head of the department of agricultural economics of the Montana State College, Bozeman, Mont., made some 50 addresses to meetings of farmers, at each of which he explained the four different plans of making the tariff work for the farmer or, at least, improve domestic prices—stabilization, the equalization fee, the export debenture, and the allotment plan. He attempted to make no case for any of them, but in each meeting the farmers declared emphatically for the allotment plan. As a result, the Montana State Farm Bureau at its last meeting indorsed the proposal.

In consequence of this, Vice President Stockton, of the Montana State Farm Bureau, invited a number of those who had become interested in the plan to attend a conference at Chicago to discuss it. This group indorsed the principles of the plan and named a committee composed of M. L. Wilson, Chairman; E. H. Harriman, of Boston, Mass. (newly elected president of the United States Chamber of Commerce); Louis S. Clark, of Omaha, president of the Mortgage Investors' Association of Nebraska; Henry A. Wallace, editor of Wallace's Farmer, of Des Moines, Iowa; R. R. Rogers of Newark, N. J.; and W. R. Ronald, editor of the Mitchell (S. Dak.) Evening Republican, and instructed the committee to complete a bill for introduction into Congress. Following this, Mr. Wilson spent some two weeks in Washington and New York and presented the plan to a considerable number who have opposed all other farm price measures, including some high in official and business life, and found general approval of the plan for the reason that, unlike all others, it prevents any increase in acreage or production of products benefited but actually makes possible positive reduction of them when found desirable.

This bill is not to be understood as being in conflict with the measure now in Congress supported by the three farm organizations, inasmuch as it would accomplish all the objects of the present and proposed law, and more, as follows:

First. It would bring about real stabilization with corresponding benefits to markets, and do it without cost to the Federal Treasury.

Second. It would accomplish all that is proposed by the equalization fee and more, because it would make the full amount of the tariff (instead of just a fraction of it) effective on the entire domestic consumption.

Third. It would accomplish all that is proposed by the export debenture, and more, because, as a subsidy it would apply not partially but wholly, and not just on the exports but on the home consumption, producing several times as much for the farmer as the export debenture.

Fourth. It is an elaboration and development of the allotment plan proposed in the third section of the measure introduced by the farm organizations, not only making it effective and positive in action, but rendering it apparently constitutional beyond all doubt and altogether self-financing.

This plan differs from the 3-way proposal of the farm organizations in that it would be mandatory; upon the Farm Board to put it into operation as to any commodity once the specified percentage of those engaged in the production of the commodity in question should vote or petition the Farm Board to do so.

In the completion of the bill to be presented to Congress, many suggestions have been received from many sources, but the committee is fully aware that it will be perfected in its consideration by Congress.

With 60 per cent of the producers or production of any one of the farm commodities of which there is now a surplus—wheat, cotton, hogs, tobacco, and rice—is presented to the Farm Board, it shall proceed to apply the allotment plan to the production of that farm product. (Provision is made for extension to other farm products in the discretion of the Farm Board.)

The Farm Board will have records of individual production for the last five years in the vote or petition submitted. From crop reporting figures the Farm Board will proceed to allot the amount of the domestic consumption of the wheat or cotton or tobacco or rice to the various producing States in proportion to their average production for five years. Thus, if it is found that the annual domestic consumption of wheat, for example, is 500,000,000 bushels, and South Dakota had averaged 5 per cent of the total wheat production of the country, South Dakota will be allotted 25,000,000 bushels on which the tariff-adjustment fee would be paid.

Thereupon a State allotment commission of seven members would be named by the governor of each State, and this would allot the State allotment to the various counties in proportion to their production in the last preceding five years. The State commission would select a county commission, which allots the county's share to the individual farmers in proportion to their average acreage in the past five years (or in proportion to their average production, as may be decided).

Thereupon each farmer for whom an allotment has been made may secure from the county commission his allotment certificates, but on condition that he sign an application or contract in which he will agree to abide by conditions imposed. One of the conditions which the Farm Board may insert in this contract is a provision that the farmer shall not increase his acreage or one that he shall decrease it by any per cent determined by the Farm Board, or that he may increase it by any per cent specified

by the board. This contract, voluntarily entered into by the farmer, is a most important feature of this plan; in fact, the heart of it. Because it is voluntary it is constitutional. Because no farmer would be likely to pass up the tariff benefits allotted him, he would gladly enter into the contract. However, there is no obligation upon him to do so. He would have no objection to a horizontal reduction in acreage, because he would know all others were doing the same; in fact, he would rejoice because of the prospect of improved prices as a result of so effective a procedure to do away with overproduction and consequently disastrous prices. The contract would be observed, if the penalty proposed is imposed, that of loss of allotment rights.

The Federal Farm Board is authorized to declare a charge (really an excise tax) upon the manufacture or processing or slaughtering of any of farm products named, the charge to be protected by establishment of a corresponding duty on the raw product, and compensatory duties and regulations for their applications upon all manufactures in order that processors and manufacturers may be fully protected up to the full amount of the excise tax as it may increase their costs. This charge (excise tax) may be imposed by the Farm Board either at the time of processing or at the time of sale as it may determine to be the more equitable. A drawback will be paid on all exports of processed or manufactured product. The Internal Revenue Bureau will collect the tax and make the necessary regulations therefor. A special revolving fund of the proceeds will be set up in the United States Treasury out of which to pay the tariff adjustment fees to the farmers.

The amount of the charge (excise tax) proposed for the five farm products named to receive tariff benefits from the outset are: 42 cents per bushel on wheat, 5 cents per pound on cotton, 3 cents per pound on hogs, 5 cents per pound on tobacco, and a half a cent on rice. The amount of the charge (and tariff) on each commodity shall be subject to change from time to time.

To assist it in determining the reasonableness of any of the tariffs, the Farm Board, it is proposed, shall include in the contract with individual farmers an agreement to keep a record of costs if called upon to do so. The Farm Board shall specify a certain number in each county, probably five, to be selected by the county allotment commission, to keep this record of costs on standard simplified forms worked out by the Farm Board with the assistance of agricultural colleges. These records shall keep, first, the cost of products of the soil, and, secondly, by-products, such as livestock, dairy products, poultry, etc., distributing overhead in proportion to the total value of each item of production. Included in the cost it is suggested the following be included:

1. Interest on the principal at 5 per cent; the principal to be not less than (a) twice the farm-mortgage indebtedness, or (b) the pre-war actual price of the land increased by the percentage of increase in prices of non-agricultural commodities in the period from 1922 to 1932 as compared with 1909 to 1914.

2. Actual depreciation on buildings, equipment, and machinery.

3. Wages for all time necessarily consumed in the operation of farm by all employees, including the farmer and members of his family, at rates for unskilled labor.

If, upon compilation of these actual costs, the Farm Board shall find, over a reasonable period, that tariffs are too low, it shall recommend increases in them to the Tariff Commission; if it finds that they are too high, in justice to the consumer, it shall recommend decreases.

At the conclusion of the allotment year, or semiannually, as may be specified, the Farm Board shall ascertain the amount received by the Federal Treasury from the tax—tariff-adjustment charge—on each product. It shall deduct therefrom the total expense of administration of the plan with reference to the commodity. The amount remaining shall be prorated among the individual farmers holding allotment certificates.

The allotment certificates are made discountable at the Federal reserve banks. In the case of crops the Farmer will have performed his part of the contract when he sows or plants not to exceed the specified number of acres. Thus the certificates will operate as crop insurance. He may sell, keep, or feed his crop as he wishes in the usual market manner. This plan does not in any way involve participation in marketing—it accomplishes its end by dealing solely in production, and that in the case of crops only to the extent of limiting acreage.

The Farm Board, it is suggested, should be required to allow a margin in estimating the domestic allotment of crops for the first year; for example, 10 per cent less than the conservative estimate of the amount required for domestic consumption. Thereafter the allotment of crops should be in each year the exact amount of the actual consumption in the preceding year.

It is asked how a new farmer could participate, or one who had not produced any of the products in question, during the past five years. The answer is that the farm is the unit of allotment, regardless of ownership or tenantry, so a young farmer could come into the allotment going with the farm. In the other case, the farmer could begin producing the crop in question, and since the allotment each year would be based on actual production (or acreage) in the past five years, he would gradually come into his desired allotment. Similarly, any farmer decreasing his acreage would receive a correspondingly diminishing allotment. This would permit gradual shifts in production as from farm to farm and area to area.

County commissions under the draft of the bill, would work without compensation but employ such clerical help or executive help as would be needed. Members of the State commission would be allowed per diem and expenses. Appeals from decisions of the county commissions would be made to the State commission and from the State commission to the Farm Board or an arbitration board. It is not believed there would be many such appeals, because under an annual reallotment there would be opportunity to correct any mistakes or inequalities.

The plan is necessarily changed somewhat in its application to hogs. A bushel of wheat is a bushel of wheat and a pound of cotton is a pound of cotton, but a pig may be marketed at 100 pounds or at 500 pounds. So in the case of hogs there must be control of the size of the hog as well as the number.

In the case of crops the acre is used as the unit of control. In the case of hogs it is proposed to use the sow in the same way. The survey in the case of hogs would reveal the average number of brood sows on the farm in question for the past five years. The Farm Board would thus have the total of brood sows, and it is suggested that the plan be not put into operation for hogs until the survey show 95 per cent of the brood sows of the coun-

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Provisions of the Pending Domestic Allotment Bill

by Hon. Marvin Jones,

A GREAT many farm relief programs have been suggested—more than a score of plans are now pending in the Committee on Agriculture—the proponent of each claiming that his is the only remedy that will do the job. Even among Members of the Congress there is a wide division of opinion. Everyone agrees that something must be done, but there is great difficulty in an effort to get 435 Members of the House to agree upon any concerted action. Even those Members who are most insistent that something be done, frequently are those who most viciously attack any concrete program that is offered other than their own. The House Committee on Agriculture, for this reason, has been working under tremendous difficulties.

After a great deal of consideration the committee worked out what is commonly known as the allotment plan. Many people have been consulted in its preparation. It has gone through the fires of a committee hearing. It has now passed muster in the House and is pending before the Senate Committee on Agriculture.

The bill as passed is somewhat different from the original suggestions. It is intended solely as a temporary measure until such time as the readjustment of trade barriers, the revaluing of the unit of money, the refinancing of farm mortgages, and other parts of the permanent program can be wrought into final form.

The proposed measure was originally designed to cover only the four basic export crops of this country: Cotton, wheat, hogs, and tobacco. Since that time some other commodities have been included by the House. The prices of these four products average today about half what they were before the World War. Since that period, wheat has suffered a loss of approximately 65 per cent of its purchasing power, cotton 53 per cent, tobacco 19 per cent, and hogs 59 per cent.

At the same time that the farmer has had to meet these reduced prices, the taxes on agricultural lands since the pre-war period have increased approximately 150 per cent, and the farm indebtedness has increased in the same way.

The aim of the bill is to establish as a minimum price for the commodities named the same ratio to the present general commodity price level that existed during the pre-war period. In other words, to give farm prices today the same purchasing power measured in the terms of other commodities that they had during the period of 1909 to 1914.

If this ratio or fair exchange value existed today, the price of wheat would be 93 cents per bushel and the price of cotton would be 12 cents per pound. Under the terms of the measure, these prices would apply, commencing with the period when the new harvesting season starts. The regular market would not be interfered with in any way. The farmer would merely get his certificate for an additional sum.

For the time between now and harvest—called the initial period—the ratio price or fair exchange value would be fixed at 75 cents per bushel for wheat and 9 cents per pound for cotton; these prices to apply only to those commodities now held by the producer himself. During this period his certificate would be enough to bring his price up to the prices named.

The result would be obtained in this way: A processing fee would be levied upon the manufacturer of these commodities, and this fee would be equal to the difference between the prevailing price and the pre-war ration price.

The farmer would sell his product in the regular markets, but at the time he made the sale he would be handed a certificate covering the difference between the average price his product was bringing at the time and the ratio price. This certificate would only cover that part of his commodity going into domestic consumption. He would be paid this premium only in the event he reduced his acreage as much as 20 per cent. This limitation would not apply to winter wheat which is already in the ground, but estimates indicate that due to weather conditions and reduced acreage there will be a greater average reduction even though the limitation can not apply to winter wheat.

Let us take an example applying to the initial period. Assuming that the domestic consumption of wheat is 70 per cent, 30 days after this bill takes effect, the farmer hauls 1,000 bushels of wheat to market. The prevailing market price is 35 cents per bushel. He sells his wheat for that price. He is handed a certificate for the difference between that and 75 cents (or 40 cents per bushel) covering 700 bushels, which amounts to $280. This $280 certificate is redeemable at the United States Treasury or other fiscal agency—one-half within 30 days and one-half within six months. In other words, the farmer, if he has complied with the requirements, would receive $280 in addition to what he had received for his commodity in the open market. When the new harvest season starts, the full ratio price would apply.

The bill would work similarly as to cotton and tobacco.

As to hogs, a little different method is used. The farmer would sell his hogs in the regular way, reducing his marketing tonnage 20 per cent. If he did this, he would receive a certificate covering the difference between the prevailing market price and 6 cents per pound. The farmer is now receiving about 2½ cents for his hogs. This would assure him 5 cents per pound.

The processing fee is a gradual step up, covering enough to produce the funds essential to pay the premiums.

The few other commodities were added to the bill in the House. No doubt some of these may be eliminated before the bill is finally enacted. At any rate, a somewhat similar method is provided for these commodities.—*Extracts, see 6, p. 64.*

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Majority Report

House Committee on Agriculture

No discussion is necessary to establish the fact that there exists in this country a condition of economic maladjustment and that this condition is in substantial measure attributable to the discriminations from which agriculture has suffered for many years past. Prices for all farm products average today about half what they were before the World War. Since the pre-war period wheat has suffered a loss of approximately 65 per cent of its purchasing power, cotton 53 per cent of its purchasing power, tobacco 19 per cent of its purchasing power, and hogs 59 per cent of their purchasing power. On the other hand, taxes on agricultural lands have since the pre-war period increased approximately 150 per cent and farm indebtedness has increased approximately a like percentage. Agricultural freight rates are more than 50 per cent in excess of pre-war freight rates.

We produce surpluses of cotton, wheat, and a number of other major farm commodities. No direct tariff can place such commodities on a basis of equality with industrial products that for many years have had the benefit of tariff protection. Agricultural tariffs have almost without exception proved ineffective. Yet tariff rates on industrial articles which the farmer buys, and the cost of such articles to him, have greatly advanced.

Because of these various disparities, the farmer's purchasing power for clothing, lumber, hardware, machinery, and the like is less than half normal. Lack of agricultural purchasing power is responsible directly and indirectly for more than 6,000,000 of the unemployed, according to expert testimony before the committee. (See hearings, pp. 360-361.) It is not claimed that the farmer's situation is any more desperate than that of the unemployed in the city, save for the fact that discriminations against the farmer have been continuous through the past two decades while the depression as to industry and labor, in general, has prevailed for only the past three years. It is believed, however, that the elimination of the price disparity between agriculture and industry and the bringing about of a better balance in national purchasing power will greatly reduce the number of unemployed, will aid in reestablishing the purchasing power of labor and other consumers, as well as of agriculture, and will be an effective measure toward meeting the present national emergency.

The present measure is aimed at restoring agricultural purchasing power by affording to producers of major agricultural commodities benefits which will give those commodities a purchasing power equivalent to their pre-war purchasing power. As to producers of hogs, graduated benefits are accorded which it is expected will at their maximum result in the restoration of substantially the full pre-war purchasing value of hogs.

The bill is drawn to give direct benefits only to the basic exportable agricultural products—namely, wheat, cotton, tobacco, and hogs. Many other agricultural products which are not on an export basis are suffering severely from the depression, but the evidence indicates that these will benefit from the action of this bill even though they were included and subjected to production control. For example, if consumers pay more for pork they will turn in part to beef, lamb, and poultry and thus the price of all meats will be helped. Also, if hog producers are getting a more satisfactory price they will not push into the dairy business at the same rapid rate as they have been for the past four years. Higher wheat prices will help corn, oats, rye, barley, and, in fact, all grain prices.

It has become clear that the situation in agriculture is now so serious that we can no longer rely solely on normal economic curative reactions. The past policy of letting the agricultural situation continue to drift may in another year result in destroying an agricultural civilization in this country which it would take a generation to rebuild. While the principle that agriculture is entitled to a purchasing power equivalent to that of industry should be a permanent part of our national policy, the present legislation is proposed as a temporary means for effectuating that principle and is by the bill placed into effect only as to the crops produced in 1933. The operation of the provisions of the bill may, by proclamation of the President, be extended for an additional year with respect to any commodity. Whether the continuance of the measure beyond such time will be necessary to placing agriculture on a parity with industry, is left to the subsequent determination of Congress.

The bill is not the sole remedy needed for the present agricultural situation. It alone would not remove all the discriminations from which agriculture suffers. Further legislation is necessary with reference to such matters as the farm mortgage and rural credits situation, unduly burdensome taxation upon farm lands, readjustment of our currency system in such a way as to make our unit of money more truly a measure of existing values, removal of tariff and freight rate discriminations against the farmer, and restoration of the export market for agriculture through reciprocal arrangements and other measures.

For many years we have planted to crops 60,000,000 acres in excess of our own needs. The greater part of the market for this excess 60,000,000 acres has been in Europe. Before the World War, the outside world pur-

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Plan Help the American Farmer?

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Control and Price Fixing of Products Discussed
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Minority Report

House Committee on Agriculture

EVERY member of the Committee on Agriculture is in thorough accord with the objectives of H. R. 13991.

For the past 10 years, the committee has sought to bring about the enactment of legislation which attempted to place agriculture on a parity with industry.

The farm leaders of the United States have recommended various types of farm-relief legislation and the majority of the members of the committee have concurred in these suggestions and numerous laws have been enacted as a result thereof by Congress.

The undersigned members of the Committee on Agriculture are of the firm conviction that the objectives sought by the proponents of this legislation, to wit: The restoration of the purchasing power of the farmers can not be achieved by the enactment of a bill which is sectional in character and deals with only four or five agricultural commodities.

It is our opinion that the passage of this bill will only serve to retard the enactment of constructive legislation in the aid of agriculture.

All farm commodities should be considered in any program, so that the benefits, if any, may be distributed to all parts of the country.

We believe that H. R. 13991 is unworkable. Its administration by the Secretary of Agriculture will necessarily create an enormous addition to the governmental personnel in order to properly police producers, processors, and retailers in the collection of the tax, and in supervising the farmers so that acreage and tonnage may be reduced to meet the requirements of this bill, thereby adding to the burdens of an already overtaxed people.

We do not believe that the processors of the five commodities named in the bill—wheat, hogs, tobacco, cotton, and rice—will be able in these times to finance and pay the adjustment tax imposed upon the different commodities, and we are of the further opinion that the average consumer is not able to pay the tax.

It is the theory of the advocates of this bill that the consumers of the country will pay the tax as an addition to the regular retail price of the five commodities. It is our fear that if the consumers are required to pay the adjustment tax, which is a magnified sales tax upon the necessities of life, they will discontinue the use and purchase of the taxed articles and resort to substitutes. This will be particularly true now when we have more than 10,000,000 people out of employment. If the consumers are driven to the use of substitutes, it means that the producers of the taxed commodities will be compelled to pay the tax by taking less for such commodities when sold to the processor. It is inevitable that if the consumer is unable or unwilling to pay the tax, it is generally conceded that the processor can not absorb the tax; then it will be taken out of the farmer.

We believe that the imposition of a tax as proposed in the bill, which provides that such tax shall be distributed to a given class of people, is unconstitutional and in violation of section 8, paragraph 1, of the Constitution of the United States.

We believe that any plan which has for its purpose the stabilization of the prices on surplus farm products, such as the experiment recently tried out on wheat, cotton, rubber, and coffee, will only work to the detriment of the producers of such commodities. The stabilization experiences of the Farm Board is a striking illustration of the folly of another attempt of this character, or the valorization scheme for coffee in Brazil, the rubber adventure of Great Britain and its colonies, as well as the futile efforts of the copper producers of the world, have led to disaster in all these commodities.—*Extracts, see 2, p. 64.*

Hon. William L. Nelson

I FIND myself in a most unhappy situation. I am a farmer, owning and operating farms in my home State; in fact, I come from an unbroken but sometimes near-broke line of farmers. For 10 years I served as assistant secretary of agriculture for Missouri. I appreciate the gravity of the present situation. Daily I receive letters from my constituents, heartbreaking letters, begging that something be done to restore prosperity to agriculture. I would like to be, and would be, for any bill that I felt would bring immediate benefits.

I am a Democrat. I would like to go along with the next President of the United States, Franklin D. Roosevelt. I believe in that man. I believe that he is the hope not only of America but of the world. If I felt that this plan, said by some to have his approval, were sound it would have my hearty support. I love Chairman Marvin Jones, of the Agricultural Committee, of which I am a member, and on his account especially I deeply regret that I cannot support the committee measure.

I have been told that the plan under consideration has

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chased our exportable surplus with the greatest ease because the United States was a debtor nation, and the foreign countries could use the $200,000,000 which we owed the outside world to purchase our exportable surplus. Since the war, the United States has been a creditor nation to the extent of more than $500,000,000 in interest charges annually. The tremendous significance of the creditor position of the United States relative to the national agricultural policy has been too slowly realized. The United States, in its production policies, has acted as though we were a pioneer debtor nation, while the force of world circumstances demands that we act as a mature creditor nation in formulating production policies.

The decline in our agricultural exports is due not only to the creditor position of the United States and nationistic tariffs at home and abroad, but also to depreciated foreign currencies and to the fear which American investors now have of loaning money to foreign customers. In many countries there are exchange quotas by means of which foreign nations can definitely and positively restrict their importations of American products. In others there are tonnage quotas.

It is not fair to agriculture, or to the Nation, to allow the present disordered condition to continue. The forces at work are altogether beyond the control of the individual farmer. Agriculture has been unable to use effectively such methods of control as the tariff and the corporate form of organization. Six million individualistic farmers each striving to raise enough money to pay his interest and taxes and support his family, without any concern whatever for the national and international situation, can easily, under ordinary economic conditions, add to the confusion and suffering during the next few years, by increasing the lack of balance between agriculture and industry and between this country and other nations.

One of the most difficult parts of our national life to bring into balance is agriculture. Higher prices for one agricultural product and lower prices for another will bring about rapid shifts in production of the two products involved, but lower prices for all agricultural products, as has been true since the World War, reduces total agricultural production very slowly. The best evidence indicates that it may take 10, 15, or even 20 years before low prices bring about a really effective curtailment of total agricultural output. Obviously, one of the leading problems of modern civilization is to work out agricultural policies which will make it possible to adjust agriculture more promptly to changing world conditions. In modern industrial society, with its corporate controls, its tariff devices, its union wage scales, its immigration laws, and the like, it is obvious that agriculture must be given some corresponding power to bring its production more nearly in line with general economic conditions.

In order to permit the adjustment of American agriculture to the changed world situation and to restore the proper balance in agricultural production, the bill provides that as a condition to receiving the price benefits for wheat, cotton, tobacco, and hogs, producers shall for the year 1933 reduce their acreage of wheat, cotton, and tobacco 20 per cent and their hog tonnage 20 per cent. In addition, hog producers are required to reduce their corn acreage 20 per cent. In case the measure is extended for an additional year, the matter of reduction of acreage or tonnage is left to the discretion of the Secretary of Agriculture, having in view the necessity for maintaining reduced production only to the extent necessary to prevent the accumulation of abnormal surpluses. The Secretary of Agriculture is thus placed in a position so that he can require the requisite control of production in the light of the then existing State of the export markets, the demands of domestic consumers, the effects of previous reduction in acreage and tonnage, and the like.

It is not intended that the production of the commodities named should be reduced to a purely domestic basis, but that reduction should be had until the abnormal surpluses that have accumulated during these unusual times shall have become absorbed or reduced to a normal amount.

In connection with acreage reduction it is required that land representing reductions shall not be utilized for the production of any commodity of which, in the opinion of the Secretary of Agriculture, there is normally produced or is likely to be produced an exportable surplus. This provision is intended to give protection against overproduction of dairy products and certain other commodities not covered by the bill.

In order to afford the producers of wheat, cotton, tobacco, and hogs a pre-war purchasing power for their commodities, provision is made for the issuance of adjustment certificates to those producers upon the marketing of their commodities. These certificates will be in a face amount equal to the difference between the price being paid producers at local markets and the pre-war or fair exchange value of the commodity, less a small deduction to take care of administrative costs, except that somewhat smaller benefits will be paid as to hogs, at least initially. Certificates will, however, cover only so much of the commodity marketed as it is established and proclaimed by the Secretary of Agriculture will be required for domestic consumption. In other words, any exportable surplus produced will not be entitled to benefits under the act. The American farmer will, however, be given benefits in the domestic market that will place him on a parity with industry with respect to the exchange values of the commodities produced.

The certificates will be issued to the producer by local representatives of the Department of Agriculture upon satisfactory proof that the claimed amount of the commodity has been marketed and that there has been an appropriate reduction in acreage or tonnage. The certificates are negotiable and are issued in two parts, one redeemable within 30 days of issuance and the other 6 months thereafter. Certificates will be accepted for redemption at the United States Treasury or other fiscal agencies designated by the Secretary of the Treasury.

The pre-war purchasing power or fair exchange value of the commodity will be determined and proclaimed by the Secretary of Agriculture in accordance with index figures which he now maintains and publishes from time to time.

An important feature of the measure is that it is self-supporting. Amounts sufficient to pay the benefits to producers provided for in the bill are to be realized from the adjustment charges to be paid on the processing of the commodities covered, and the cost of administration

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been "sold" to Mr. Roosevelt. As to that I cannot say. If it has been "sold" to him, I am going to do the best I can to see that he never has to pay for it, and that my party never has to pay for it.

While it may prove a temporary aid, ultimately it must fail as have all other experiments not economically sound. "We must do something," we are told; but as I see it this is no time to experiment on the farmers of this country. They have suffered enough as it is. The proposed remedy is untried and, I fear, dangerous.

In the realm of medicine and surgery, before a remedy is tried on a human being it is first worked out in laboratories and carefully tested. In many instances science resorts to experiments upon dogs. I love dogs, and I wish such suffering did not have to be. But in this case you are going to try a new remedy, not on dogs but on farmers, and as a farmer and as a friend of farmers I cannot bring myself to support this program.

I recall when, on April 15, 1929, the Congress was called in special session to do two things, to bring about farm relief and a limited revision of the tariff, as the country was told. Digressing somewhat, may I say but for that session, but for the farm marketing act and the Hawley-Smoot tariff, the latter bill having its beginning at that time, the condition of the farmer would be infinitely better than it is today.

I wanted, as a member of the Committee on Agriculture, to support the Hoover farm relief plan, but I could not conscientiously do so. Frankly, it did not worry me so much to oppose a Republican President as it now grieves me to go against an incoming Democratic President, if, in fact, I am. But the time has come when every man must test his patriotism and put the public good above party gain, and this is what I am trying to do now. I am one of 35 Members of the House who voted against the Hoover farm marketing act in 1929. I went back to my home, back to an agricultural constituency, where years of my life had been spent, and successfully defended my position. I go back on the 4th of March as a private citizen, having spent 10 years in the House, but I am going back feeling that I did what was best for all the people, and especially for the farmers of my district.

In these days of darkness, doubt, and discouragement there are many people who say, "Oh, let us try it." I would remind you, my colleagues, that we have tried the Farm Board, with its stabilization plan, and the world has tried a somewhat similar plan on copper, rubber, coffee, and other commodities, hoping thereby to establish and maintain an artificial price, but always without success and always with disappointment.

If this allotment or parity plan works at all, it is going to work for but a very little while, and the end of it will be worse than the beginning.

What has the Farm Board cost us? It has cost millions of dollars directly and other millions of dollars indirectly. In October I was in Iowa, "where the tall corn grows" and where excellent farms are failing to produce enough income to support the family. I asked farmers with whom I talked "How do you like paying two members of Farm Board subsidiaries salaries of $50,000 and $75,000 a year?" And I asked them if they had stopped to consider how much corn at the Iowa price of 10 cents a bushel it would take to pay those salaries. I figured that to pay two men one year it would require 25 trainloads of corn, 50 cars to the train and a thousand bushels to the car. Such salaries, with farm prices down to where they are, cannot be defended. They are little short of scandalous.

What can be done to help save the farmer and so help save America? I answer that there is no panacea, no cure-all. Not by any one legislative act can Congress make certain the return of prosperity to agriculture, but there are definite directions in which we may with safety proceed. Here is a farm betterment program which I suggested to the Agricurtural Committee and to which I invite your consideration:

First. Repeal the farm marketing act with its stabilization features.

Second. Revise the tariff so as to restore foreign demand for surplus raw products from American farms.

Third. Extend the time and grant lower rates of interest on farm mortgages.

Fourth. Bring about a sound and controlled expansion of the currency and provide an honest dollar.

Fifth. Get rid of subsidies and "stilts" now enjoyed by industry and paid for by the public.

Sixth. Cut expenses and reduce taxes.

Seventh. Let the farmer alone.

Within 60 days this Congress can make available for the debt-ridden farmer of this country a long-time loan at a low rate of interest. This is what we have got to do. I have letter after letter saying, "Give us some assurance that we can hold on to the old home."

One of the saddest sights in the world is when a family which has lost all gathers around the courthouse door at a sheriff's sale and sees the old home, the old house that seems almost to have a soul, the house that has been the scene of births and marriages and deaths, the farmstead where the family has been gathered together for years, go to the highest bidder. Then, with home and hope gone, the father, mother, and children go, God knows where, perhaps to the city, there to become slaves of gong and whistle and bell or to join the long breadlines.

What we want, and we cannot eternally temporize, is assurance that this farmer will be able to hold on to his farm, and this can come, as I say, in 60 days. What would I do? Here is what I would do. I would have the Government provide at a low rate of interest money sufficient to take care of half the present value of these mortgaged farms. This is a safe proposition. I do not believe that farm land is ever going to be worth only half as much as it is now. I would have the Government sell bonds and guarantee those bonds at a low rate of interest so they would always be at par.

How would the farmer benefit? I talked to one of the best bankers in my district a few days ago and he said: With the assurance that this farmer could go on for 33 or 34 years, perhaps, with money at 3 or 4 per cent, with 1 per cent for amortization, we would step in and take a second loan on that farm and give him a chance to work out.

This, or something similar, is what I want to see done.

No; it is not a question of a year to put this home-

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is taken care of by reducing by 2½ per cent the benefits which would otherwise be payable to producers.

While the benefits granted are so fixed as to correspond substantially with the adjustment charges to be paid, an additional assurance that the measure will be self-supporting arises from the fact that the adjustment charge as to any commodity will be in effect for one month after the termination of the period for which benefits are granted, whether the act is in effect as to the commodity for one year or two years.

The adjustment charge to be collected on processing is to be in an amount equal to the difference between the price paid producers at local markets and the pre-war or fair exchange value of the commodity; except that for hogs the adjustment charge is to begin at a lower rate and will be increased gradually as the index number for factory employment, as published by the Federal Reserve Board, indicates increased purchasing power of consumers.

Adjustment charges are to be paid in respect of processing of imported quantities of the commodities, as well as those of domestic production.

Exemption from the payment of processing charges is provided for in the case of processing by a producer for family consumption, and in the case of a producer of hogs who processes for sale quantities of a value not in excess of $250 during any year for which charges are payable.—*Extracts, see 1, p. 64.*

Hon. Arthur Capper

NEITHER a definition nor an analysis of the so-called domestic allotment plan explains what its proponents—of whom I am one—believe it will do for agriculture, nor what it will do for industry and labor throughout the nation, through the return of farm buying power. Before discussing the plan itself, it is necessary to consider the general situation, and piece together a few facts which go to make up that situation. National prosperity—the material well-being of our people—does not depend entirely upon the production of wealth. It depends in large measure upon the exchange of things and services; the exchange of commodities and labor.

The annual income of the country does not depend upon the amount of money in the country, so much as upon the number of times that money changes hands in exchanging commodities for other commodities or for services, which is labor. We have plenty of money, plenty of labor, plenty of goods, in the country today. The trouble is these are not being exchanged at sufficient speed.

Five billion dollars in currency that remained in the same hands an entire year would be the same as no currency at all. If it changed hands 20 times in the year, it would be 100 billions of purchasing power. If it changed hands 40 times, there would be 200 billions of purchasing power. Our economic machine today is clogged with surpluses, most important of which are surpluses of a few staple farm products—wheat, cotton, hogs, tobacco, perhaps a few others. The wheels of the engine are caught on a dead center. It requires simply the right weight at the right place on the flywheel to start the engine, and set all the machinery in motion. Any amount of weight applied all over the machine, or at the wrong point on the engine, will not get it off that dead center.

There are many who believe—and I am one of them—that the way to start our economic machinery running is to apply the weight at the right place by restoring the purchasing power of agriculture. That will get the wheels off dead center, and start the general exchange of commodities and services that will restore industry and end unemployment.

There are many who believe that the huge unmarketable surpluses of a few farm products make up a large part—not all, but a large part—of the overload that slowed down the machine and made it stop on dead center. There are many who believe—and I am one of them—that if and when the farmer starts buying, that buying will start the entire machinery in motion.

The so-called domestic allotment plan proposes to restore purchasing power to agriculture through direct payments to producers of these staple commodities, from the consumer through the processor, on condition that the producers of these staple commodities reduce their productions to eliminate these surpluses that caused the economic overload.

Measured in buying power, farmers today are getting less than half what they received for their farm products in the five years just before the World War. The loss of farm buying power in practice destroys the buying power of nearly half the domestic market of the United States. The loss of half the market destroys the balance between producer and consumer that is necessary if industry is to prosper, agriculture is to prosper, and labor is to have jobs.

Here is a general idea of what the domestic allotment proposes to do, as I understand the principle involved. I will use wheat as an example. The same principle applies to the other commodities, cotton, hogs (including corn as part of the raising of hogs), tobacco, possibly dairy products. Suppose we produce 800 million bushels of wheat a year. Suppose we consume in the domestic market 600 million bushels. That means 200 million bushels surplus, a surplus that continually increases, even though we practically give some of it away. Seems what should be done to get rid of the economic overload is to reduce production at least 20 per cent. Today the wheat grower is receiving for his wheat 55 cents a bushel less, in buying power, than he received in pre-war days. He is not even receiving the 42 cents a bushel benefit the protective tariff is supposed to give him.

It is proposed that the wheat farmer be given an additional 55 cents a bushel—or perhaps the amount of the tariff, 42 cents a bushel, there are several variations of the general plan—on that part of his production needed for domestic consumption. In return he agrees to reduce his acreage 20 per cent. If he does not reduce acreage,

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saving plan into practice. Sixty days will do the job, and yet here, today, you propose to experiment. In the name of all that is right and just, have we not had enough of experimentation? Enough of boards, bureaus, and commissions?—*Extracts, see 3, p. 64.*

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Hon. George Huddleston

I AM impelled to oppose this measure solely because I believe it to be violative of fundamental principles and the tenets of our economic and political systems.

The bill is probably unworkable; it is of doubtful constitutionality; it is discriminatory and unfair. Eventually it will do agriculture serious harm. I prefer, however, instead of criticizing it upon these grounds to state my objections to it upon the fundamental grounds that it is violative of the tenets of individualism and of the principles of good government. This bill cannot be defended upon any sound principle of government of economics.

Here we have another quack remedy for the ills of agriculture. It does but continue the sequence of quackery by another venture of spurious communism. Time and again we have passed these bills for relief of the farmers. Always they have been failures—always they have left the farmer in worse condition because of their passage. It is time for us to stop with these specious measures and to return to sound principles. If the plain farmer could speak, I would expect to hear him say, "Heaven deliver me from my self-appointed friends."

Here lies the poor farmer, sorely afflicted, surrounded, and being administered upon by Doctor Quack, Doctor Nostrum, Doctor Nothought, Doctor Demagogue, and various others of that fraternity chiefly responsible for bringing him to his present condition. They roll their pills, they administer their infusions, and give their bitter draughts, and steadily the patient grows worse.

What is the matter with the farmer? One trouble is in the prices which he receives; the other trouble is in the prices which he is forced to pay. The trouble in the price for his produce is due to two causes: First, the condition of his market, and, second, the fact that his prices are out of line with the things that he has to spend his money for. Of course, it is axiomatic that the real price of his commodity is what may be bought with the proceeds of that commodity.

The farmers have been deflated. They could not regulate their production; they were in an unprotected position, and so unable to resist deflation, with the result that the price of cotton is on an index of 21, the price of wheat ranging from 30 to 32, with general farm prices on an index of 42, whereas, when we turn to those things for which the farmer spends his money, we find that nonagricultural prices generally are on an index of 66, steel and iron 70, clothing in the eighties, price-protected and price-fixed articles 90, and that transportation has gone to above 100.

The farmer has been deflated because he was unable to protect himself against it. The producers of the things which the farmer must buy have enjoyed a protected position. They were sheltered under the wings of the protective tariff, of monopolies, of vast corporate powers and wealth, of unfair trade practices, of ability to set aside the laws of supply and demand, and they have been able to resist deflation.

The worst trouble with the farmer's situation is not that his prices have been deflated but in the inequality of the deflation. He has been fully deflated. Those who sell to him have been only partially deflated. Had the farmer suffered a deflation of, say, 50 per cent, yet been able to buy his supplies upon the same index of deflation, he would not be suffering unless he owed money, which, of course, is quite another question. One fundamental trouble of the farmer today is that he has been unable to protect himself from deflation, where as other interests have enjoyed a protected position and have been able to resist deflation.

Another trouble of the farmer is that he has been deprived of his market, and what he most needs is that that market should be restored to him. Restore that market and his price will take care of itself.

How may the farmer's market be restored? The answer is simple: Remove the trade barriers between him and the peoples of the world. He cannot sell his produce to men across the seas who have no means whereby they can pay for it. To open up the markets of the world to the cotton and wheat farmers you must give their overseas customers some means whereby they can pay for these products. That can be done, first, by tearing down the iniquitous and unjust protective system, which prevents a free interchange of the farmer's products with those of the people who would like to buy from him but have no means to do so.

The second thing that we need to do is to deal with the international-debts question with courage and in a statesmanlike manner and without pandering to those of our constituents who have the least understanding of such subjects and the least capacity for decision upon them.

It is fundamental that the farmer cannot do business unless you open up to him the markets of the world. These markets cannot be opened unless his customers have some way in which to pay. They cannot pay except by sending us their products. They cannot pay when we force them to use all their resources for payments on the old war debts.

All that the farmer has a right to expect—indeed, all that can be done for him of any real and permanent value—is to give him an opportunity to buy and sell freely in the markets of the world at prices fixed by the laws of supply and demand. He should not be forced to sell his produce under the greatest difficulties and with every handicap in the open markets of the world at world prices, yet to buy that which he needs in a closed market at an arbitrary price, under conditions in which the laws of supply and demand are thwarted and have no operation.

The excuse for this bill is that it will lift the limited class of farmers who are to be benefited by it up upon the plane of those who enjoy the benefits of protective tariffs. It seems never to have occurred to those who

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he does not receive the extra payment. As a general rule, a reduction of 20 per cent in acreage, over a period of several years, would cause a reduction of 20 per cent in production. It is proposed to raise funds to pay this benefit, or bounty, by a charge or tax upon the processing—which in the case of wheat means milling—of the commodity. The processor probably would pass the bulk of this charge on to the consumer; of course. In the case of wheat, it might mean an increase of one cent in the price of bread, in those sections where bread prices have been reduced two cents or more in the last three years. Similarly with cotton, hogs, tobacco, perhaps dairy products.

The principal opposition to this plan for balancing industry and agriculture, through increasing the purchasing power of the farmer, comes from the millers, the packers, the private grain trade—groups which have fought every proposition to make farming pay. I am not criticizing them for their attitude, simply stating it. They buy from the farmer at the lowest possible price, and sell to the consumer at the highest possible price, and naturally oppose having to pay more or sell for less.

I say the plan is worth considering, in the interest of industry as a whole, labor as a whole, agriculture as a whole, the nation as a whole. And I am going to express the hope that the present Congress, in spite of the limitations of time and politics and the legislative situation, will be able to work out the details and enact the proposal into law. It sounds like a desperate remedy—but we face a desperate situation.—*Extracts, see 8, p. 64.*

Hon. Clifford R. Hope

In the talk that has been going on both in the cloakrooms and on the floor of the House there has been a great deal of opposition expressed on the part of the Members from consuming districts, because this bill is going to increase the price of farm products to the consumer.

Those Members seem to be of the opinion that we ought to perform some sort of sleight-of-hand trick and increase the price of farm products without making anybody pay for it. It does not make any difference what method is used; if the prices of farm products are increased somebody must pay the bill. You can call it a sales tax, a super-sales tax, or whatever you will, but it does not make any difference to the consumer if he must pay a higher price for his farm products whether it is paid by the processor in the form of a tax or whether the price is increased in some other way. Neither does it make any difference to the producer. The farmer will not be given any farm relief unless the price of his product is increased. That is fundamental. So it must be admitted in the beginning that if this measure is effective it is going to increase prices to the consumer.

I have been surprised at the talk and comment that has gone on on the Republican side of the House, particularly the objections that have been made by those representing industrial districts, because this bill will increase the price of some of the products which consumers in those districts use. I have always been taught the good old Republican doctrine that if we benefited one industry or section through the tariff or by assistance in some other way it benefited all sections, and that if we made it possible for the American workman to get higher wages that benefited the farmer and producer in every part of the country. So today we have a bill here which is entirely consistent with that Republican doctrine. If you benefit the farmer and increase his buying power, then you will benefit every section of the country.

Now, let me call attention to the fact that whereas today the wholesale price of farm products—and that is not the price that the farmer is selling his products for, but that is the wholesale price at the terminal markets—the average wholesale price of farm products is 65.5 per cent of what it was in the period 1909 to 1914, while the index number shows that the wholesale price of hides and leather products is 110.7 compared with the prices for the same products during the pre-war period; that the price of textile products manufactured in those same cities whose representatives are opposing an increase in the price of farm products, on the basis of 100 in 1909-1914, is 95.7. The index number shows building materials is 135 as compared with 100 in 1909-1914, and that the average wholesale price of all commodities which the farmer buys was 106. So if we are consistent on the Republican side of the House in the position that the tariff and the subsidies that have been granted various industries do benefit the entire country, then we must say that the theory of this bill is good Republican doctrine.

Now I want to call attention to one of the planks in the Republican platform adopted at Chicago last June reading as follows:

"The fundamental problem of American agriculture is the control of production to such volume as will balance supply with demand. In the solution of this problem the cooperative organization of farmers to plan production and a tariff to hold the home market for American farmers are vital elements. A third element, equally as vital, is the control of the acreage of land under cultivation as an aid to the efforts of the farmer to balance production."

That, my friends, is one of the fundamental purposes of this bill. It has two purposes, an immediate purpose and a long-time purpose.

This measure is the first legislative recognition of the fact that we have entered upon a new era in American agriculture. From colonial days down to about five years ago this Government and the colonial governments which preceded it encouraged the expansion of agricultural production. During this entire period it was always possible to find a market for everything we produced. A change in this situation was indicated shortly after the World War, but did not become clearly apparent until during the last five years. Within the last five years conditions with regard to agricultural production and consumption have entirely changed. The machine age has

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have the concern of the farmers at heart that instead of creating another evil to match the evil which has bled him white they should take away the evil which has brought him to the condition in which he is. This bill undertakes to lift up certain farmers into a favored position and to enable them to collect from the distressed millions of our people who are suffering for the necessaries of life an arbitrary and an unjust price for their food and clothing.

That is the frank purpose of this bill, and the excuse made for it by its champions is that citizens connected with industry have no right to complain if they are forced to pay prices commensurate with prices which they are able to get for the products of industry. That argument ignores the false premise upon which the bill stands. But more, it ignores the fact that millions of our people are connected neither with industry nor with agriculture. We have some 6,000,000 of our people employed in agriculture. We have perhaps 15,000,000 of our people employed in connection with industry one way or another. What about the balance of the 47,000,000 of our people who are gainfully employed? What about the other more than one-half of our workers who are connected neither with industry nor with agriculture? Have you no thought of the injustice which you are working to them? When will come their turn? If you are successful and lift up agriculture upon an equality with industry, when will come the turn of those millions of our people who are not and who cannot be benefited by any such measures? Have they no rights; is there to be no justice for them?

These special favors and benefits are valuable only because they are enjoyed by a limited class. If they were equally enjoyed by all, that would reduce all to a level and would be no real benefit to any. It is because there is discrimination and injustice that special privileges have any value at all.

This bill is based upon a false philosophy, so commonly believed in in these times, that a man can get rich by refusing to produce wealth; that through idleness is to be found the cure for poverty; that we should encourage our people to produce less. There never was a more specious doctrine. It roots back to the false theory that there is overproduction. There is no such thing. The trouble is underconsumption. There lies the trouble.

These gentlemen who hold to this false philosophy deal always with the production end of our economic life. The trouble is not with the production end.

It lies with the distribution end, and the evils of distribution are perfectly obvious and open to all of us. Unfair trade practices—monopolies, high cost of transportation, obstructions to trade, barriers to free commerce, extortionate prices, waste, inefficiency, excessive overhead, and so forth—all constituting interferences with the free play of the laws of supply and demand and taking the back track upon the competitive system. In short, to boil it down into a word, it is a false and pseudocollectivism which has brought us to where we now are.

The remedy lies not in going on in this foolish and false way, not going ahead with this system which has brought us close to ruin, but to turn back to fundamentals and to embrace for ourselves a truer and better and a higher form of the competitive system. Out with all governmental favors and privilege. Bring in a time when every man fights for his economic life and stands upon his own footing. That is the remedy.

The difficulties we are in now are due chiefly to the fact that our economic machine has become so complex that we are no longer able to produce to capacity to operate it. Now, with this bill as a remedy for this excessive complexity we propose to add another section to this complex machine. As a remedy for complexity we are to adopt greater complexity. Private business is no longer able to furnish the brains to conduct its operations successfully, so that we are to have the Government enter the field of action and place a bureaucrat in charge of it. That is the foolish remedy which is proposed.

I would not feel so keenly upon the subject were it not for the fact that we are confronted with similar proposals upon every hand and relating to almost every industry.—*Extracts, see 5, p. 64.*

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Hon. John D. Clarke

Every member of the Agricultural Committee of the House has honestly sought to cooperate with the farm leaders, but their policies have sometimes been uneconomic, sometimes changed over night and sometimes, unfortunately, political. Lack of continuity in plans prevents progress and lack of progress prevents achievement.

Generalship with a divided army spells disaster and the one great measure I have championed, having been against the "equalization fee" of the original McNary-Haugen bill, and against the "debenture plan" of my beloved grange, has been the act creating the Farm Board and the exhibition of the executioners of that act has created strong prejudices against it.

The stabilization authority was fundamentally wrong, but no farm leaders will ever return and get any money out of Congress or the poor taxpayers for another stabilization experiment.

The outstanding feature of the act, however, was putting the seal of approval on the cooperative movement, furnishing national aid because we all knew then and now that if all the producers will whole-heartedly back the cooperatives benefits will result.

If the farmers are unwilling to get in a local cooperative of the commodity they produce, federate nationally, Uncle Sam has done all he can do. Even salvation is not free; you have to work it out.

Let us now consider in some detail this national emergency act, H. R. 13991. For 22 months, or ever since the Seventy-second Congress came into existence, like Macawber, we have been waiting for the majority party to propose some program that would reach out a helping hand in a truly national emergency for all agriculture.

The problem is no simple one to increase purchasing power by increasing the price of farm commodities, with overwhelming surpluses piling up, foreign markets de-

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invaded the farm, and the matter of producing sufficient agricultural products is no longer a problem. Through the use of modern planting and harvesting machinery, five men can do the work which formerly required 50 men in planting and harvesting a wheat crop in Kansas. Similar inventions have made it possible for one man to produce many times his former output in almost any line of agricultural production. The statement has recently been made that 10 per cent of those now engaged in farming could, if necessary, through the use of modern machinery, produce all the agricultural products which could be consumed in this country. Coincident with the increase in agricultural production per man has been the development of vast new areas for the production of staple crops in other parts of the world. During the same period the growth of the theory of economic nationalism in Europe has resulted in a great increase in agricultural production in practically all European food-importing countries.

This increase, together with the various trade restrictions which have been placed against importations of foodstuffs, has adversely affected the export market for American wheat and pork, as well as other agricultural products. Therefore, the great problem confronting agriculture today is to adjust production to demand. This can be done in two ways. We can bankrupt and starve the farmer and force him out of production, or there can be a planned, controlled effort along economic lines to adjust production to consumption. Due to the lack of organization in agriculture and to the fact that it is composed of 6,000,000 scattered production units, such economic planning and control can only be brought about through the voluntary cooperation of farmers under the supervision of some government agency. This is the fundamental theory and philosophy back of this measure, and its most important long-time feature is the opportunity which is offered to reduce and control production.

There are other causes, of course, for depressed agricultural prices besides overproduction, yet in the case of such staple crops as wheat, cotton, and tobacco, constantly increasing surpluses and carry-overs plus prospects for continued overproduction has resulted in driving these commodities to the lowest price within the memory of this generation, and in some cases to the lowest price ever recorded. An immense corn crop with an overproduction of hogs and a curtailment of export markets for pork and lard has resulted in the lowest price for hogs since 1874. As a result of the tragically low prices upon the commodities mentioned, as well as many other agricultural products, the buying power of the American farmer has been reduced to 49 per cent of its pre-war level, while the prices of the products which the farmer buys are at present 6 per cent above the pre-war price level. This is a matter of tremendous import to everyone because business men and economists are a unit in agreeing that we will have no return to normal conditions in this country until the buying power of the farmer is restored. This reduction in the buying power of the farmer is of direct interest to every unemployed man.

Dr. Mordecai Ezekiel, assistant chief economist for the Federal Farm Board, after a most careful and thoughtful study of the situation, estimates that there are 6,750,000 city workers out of employment today because of the reduction in farm income, so that it is not an exaggeration at all to say that 60 out of every 100 of the unemployed in the cities have lost their jobs because the farmer's buying power has been destroyed. Thus the immediate and emergency purpose of this legislation is to restore the buying power of the farmer which should have the immediate effect of putting men back to work. This legislation, therefore, has two purposes, the immediate one being to restore the buying power of agriculture and the most important and permanent one being to enable farmers to adjust their production to consumptive demand.

It is not intended that this measure shall be a cure-all. It strikes at only one phase of our agricultural problem. Many of the troubles which beset agriculture today are rooted so deeply that it will take years to cure them. Many of them depend upon adjustments which must be made by farmers themselves. Others require not only action by our Government but by other governments as well, because permanent agricultural prosperity in this country will not be brought about until our export markets can be re-established. To do this will require a settlement of the international debt question, the stabilization of foreign exchange, and the removal of some of the impediments to international trade, all of which will take time to accomplish.

This measure may be considered by some as too drastic and far-reaching, but desperate situations sometimes require desperate remedies. The legislation is frankly an experiment, but the principles upon which it is based are sound and its opponents thus far, while recognizing the gravity of the situation, have offered no constructive suggestions as to any other remedy which would meet the situation.

The bill itself in its present form is comparatively simple and while many matters of detail will necessarily have to be worked out in administration, its modus operandi can very easily be explained and understood. The measure, as reported by the committee, applies to four commodities—wheat, cotton, hogs and tobacco. These commodities are included not only because it appears that the plan is particularly applicable to them, but because in a sense they are key commodities which affect the prices of other farm commodities; for the further reason that all of them are on an export basis so that their price is fixed by world prices, and because all of these products are processed prior to consumption, thus making it possible to use the price-raising method which is provided in the measure. It is not the thought that other commodities should be overlooked but rather that they are either relatively unimportant or are not susceptible of being handled under the machinery set up by this measure.

The price of wheat in this country is determined almost entirely by the world price, and that is the reason that differences in the quantity produced in this country have very little effect upon the price.

I may add that the present depressed price of wheat can be traced directly to the great increase in world production that took place in 1928 and which has continued up until this time.

This has resulted to a large extent in a loss of our foreign market for wheat, because we have had to compete not only with Canada and the Argentine and other

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stroyed, and the purchasing power of 10,000,000 unemployed is a helluva proposition.

Orders came from our own capitol in New York that something must be done for the farmers, so we consult the Topeka speech of our President-elect for a program.

I have discovered the answer to that famous and ancient conundrum:

> It is a little round, it is a little square,
> It is a little solid, it is a little fluid;
> It is, in some respects, very tall;
> In other respects it is flat. What is it?

The answer is the national emergency act, H. R. 13991, that should properly be named the Roosevelt allotment plan. It is not alone the answer to the conundrum, but the explanation as well of the strange actions of the majority members of the Agricultural Committee, who have gone dizzy headed trying to follow the farm leaders.

If this is a national emergency act, it should equally apply in its benefits to the producers of every farm commodity; but it is limited to the producers of only five of our commodities, and those not the largest. For instance, the dairy farmer is omitted, yet the dairy industry is twice as important as the hog industry. Dollar value milk in 1931 is $1,617,000,000, as against hog dollar of $897,000,000.

Agriculture is entitled to equality, no more and no less. Every producer of every agricultural commodity is entitled to equality, no more, no less, in a Government dedicated to equality; yet this bill is fundamentally against equality; therefore, it violates not alone the spirit but the letter of a great fundamental principle of our American institutions.

If our President-elect is "horrified" at the sales-tax idea, why is he having his personal representative, Henry Morganthau, Jr., here sitting in and promoting a magnified and gigantic sales tax bigger and worse than ever proposed in the history of our Government?

Ten million out of jobs cannot pay it. Another 10,000,000 on the fringe of bankruptcy cannot pay any more for a living. That spells underconsumption by 20,000,000 of our population at least, and ultimately it will spell disaster for the very commodities the bill seeks to help.

Let us look a little into its administrative features. The Secretary of Agriculture will need to be a glorified Einstein to figure out the percentages each individual farmer in the United States producing these commodities is entitled to so as to determine the amount of the adjustment certificate. The Secretary will also have to be an expert on birth control to reduce the tonnage and determine how many hogs average 210 pounds Tom, Dick and Harry are allowed to produce. He will also have to be a prophet to look into the future on crop production, and so forth, to tell.

When this army of fifty or sixty thousand representatives of the Department of Agriculture are not keeping tabs upon the hog producers, the processers, or the wholesalers, they will have to determine the acreage in wheat, cotton, tobacco, and rice and check up on every farmer producing these commodities. More bureaucracy, possibilities of the greatest political machine in the history of the world, and more taxes placed upon the backs of the overburdened people.

Young revolutions are breaking out now, and if we will go back in our history and read again the Declaration of Independence we will find one of the reasons for that revolution that the King had thrust great numbers of Government employees into the snooping business, living off of the people and eating up their substance.

In this bill you will find a plan set up for the Government fixing the price; and in the establishing of that price the hog growers will find themselves in exactly the same condition as the wheat growers were during the war when the Government established a maximum and minimum price and the poor farmer took the minimum.

Where is the money coming from to pay this tax? In the first place, it will come out of the processers; but I do not believe they are in a position to meet this financial burden and the banks certainly cannot take on any more burdens. The result will be that the producers' markets will be destroyed and that spells disaster again for the farmer.

The objectives of this bill every right-thinking American should incline to, but I do not believe it meets the crisis that is now in our midst; the crisis is in taxes now due and mortgages threatening homes being taken away from our people.—*Extracts, see 5, p. 64.*

Hon. Donald F. Snow

This bill is drawn to give direct benefits only to wheat, cotton, tobacco and hogs. The majority report says the evidence indicates that many other agricultural commodities will benefit from the actions of the bill. I cannot follow that reasoning. You cannot convince me that if you raise the price of tobacco to the tobacco farmer it will automatically raise the price of milk or potatoes or chickens or cattle.

The inclusion of tobacco in a bill of this kind is nothing but a joke. The idea that the farmer should be especially protected is due to the fact that the farmer produces our food and clothing. There is no food value in tobacco. Many of us would feel badly if we had to give up its use, but it cannot be included in the category of either food or clothing. The bill speaks of basic agricultural commodities. Look at the figures for a moment, and you will find that of the 11 major basic farm commodities, based on the cash value of the crops, tobacco is a poor eleventh, but, nevertheless, it has been included in this bill. Other commodities like dairy products, poultry, potatoes, are left out. But it makes absolutely no difference to me how many farm commodities are included, because the bill is unsound and unworkable. A great many have asked me whether I have made any attempt, coming from a potato district, to have potatoes included.

As far as I am concerned, if every member of our committee had said, "We will put potatoes in if you wish," I would have declined with thanks, and on two grounds—first, because I am convinced that if you put potatoes in that within a year and a half the potato farm-

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countries exporting wheat but because the importing countries of Europe have become very largely self-sufficient as far as wheat is concerned, and they import very little at this time. As long as we are on an export basis production in this country exercises very little influence as to price. The purpose of this measure is to give the farmer an American price for what is consumed in this country.—*Extracts, see 3, p. 64.*

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Hon. William F. Kopp

ALL must concede that the farm problem deserves consideration at this time. All must admit that the farmers of the country are facing a desperate situation. In Iowa, corn, our most important crop, is selling in many places at from 10 to 15 cents a bushel. It is self-evident that at such prices farmers who are in debt can neither pay the principal nor the interest. Many farmers have lost their homes and many more will lose them if prices, for any length of time, remain at that level. No matter how hard farm mortgagors may work, no matter how rigidly they may economize, no matter how much they and their families may practice self-denial, they cannot with such prices save their homes.

The farmers did not bring about and are not responsible for this condition. Through these trying times they have worked hard and have saved in every possible way. The farmers' wives have done their part and have done it nobly. They have borne crushing burdens and have toiled beyond their strength. During this period of gloom and discouragement they have been heroic helpmeets.

In the discussion of this question it is pertinent to inquire, What caused this tragic condition? What brought about this overwhelming misfortune? The farmer's troubles commenced soon after the war. In the fall of 1920 the farmers began to realize that something had happened. Ever since, the farm problem, in some form, has been before Congress.

The great outstanding cause of the farmer's troubles was the reckless and uncontrolled inflation brought on by the World War. Had there been no such inflation we would not now be in this sad and deplorable condition. Such inflation always leaves behind a long trail of wreck and ruin.

While the war inflation was taking place the people naturally felt that times were good and that they were prospering. The best corn land in Iowa brought $400 an acre, and even more. Other things brought corresponding prices. The people became convinced that the inflated values were permanent values. Investments were made and money was lent and borrowed upon that basis.

But, alas, the inflated values were false values. There was sure to be trouble, and in due time trouble came. Trouble has continued more or less for 12 years until now we have apparently reached the climax of the deflation. History teaches us that deflation has always been a long and painful process.

The war inflation was seductive, but its consequences have been terrible. How many people have been ruined during these years of deflation no one knows. How much grief our people have suffered by reason of this deflation no one knows. How many sleepless nights they have endured no one knows. How many people have succumbed under the strain and struggle and have prematurely gone to their graves no one knows.

It has been asked, Why has this deflation been so severe? The answer is, Because the inflation was so extreme. The more extreme the inflation, the more severe will be the deflation. Between inflation and deflation there is the relation of cause and effect. From an economic standpoint the inflation resulting from the war and the consequent deflation were the greatest misfortune that ever befell our country.

I am well aware that eastern financiers claim that we western people should not have accepted inflated values as real values. In reply to these eastern financiers, permit me to say that they themselves accepted inflated values as real values. At least they sold stocks and bonds at such prices to their customers.

But we cannot go back and undo the past. We can not now undo the reckless and uncontrolled inflation to which I have referred. It ran its course, left its inevitable effects, and we are still suffering from its disastrous consequences. A law can be repealed, but to repeal an event that has taken place is impossible.

Our people are desperate and the following questions are anxiously propounded every day: Has the deflation about run its course? Will the depression soon come to an end? No one can give definite answers to these questions. If anyone could give us affirmative and authoritative answers we would all join in singing Happy Days Are Here Again. That being impossible, we turn once more to legislation, with the hope that we may be able to achieve something in that manner.

The Committee on Agriculture recently held extensive hearings and after such hearings reported to the House the bill now before us for consideration. In past years our Committee on Agriculture at different times reported the Haugen bill, which was based on the equalization fee. That bill had many ardent supporters throughout the agricultural regions. The debenture plan was strongly advocated from time to time and many believed that it offered a practical solution of our difficulties.

Both the equalization fee and the debenture plan were, however, discarded by the present Committee on Agriculture. The Clair plan, which has recently attracted much attention in different sections of the country, and has been indorsed by many able men, was not adopted by the committee. The bill now before us embodies a plan known as the domestic allotment plan. It is generally understood that President-elect Roosevelt favors this plan and that if the bill does not become a law during this session of Congress it will be passed after he becomes President.

The Democrats, of course, would not have reported this bill had it not been indorsed by Roosevelt, and Roosevelt, of course, would have called their attention to his

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ers would be bankrupt, and they are nearly bankrupt now; and in the second place, I am unwilling in these distressed times to help agriculture at the expense of other people when you are taking food out of their mouths.

Who is eventually going to pay this adjustment tax? The theory of the bill is that it will be passed on to the consumer—this billion dollars. Perhaps it will be for a short space of time but not for long. It would mean starvation for some of the poor of the country during that space of time, this gigantic sales tax on these two food necessities, bread and pork. If the consumer in his present distressed condition is unable to buy enough bread and pork products to sustain him, how under the sun will 20,000,000 of our poor, undernourished people be able to buy them at the greatly increased prices contemplated by this bill? It would be impossible and is not even sensible nonsense. Relief agencies could not take care of them.

When the great city of New York, the greatest financial center in the world, recently announced that it must come to Congress for Federal aid to take care of its poor, it is about time for us to realize that relief agencies are about at the end of their rope.

Nobody seriously contends that the miller and packer can absorb this huge tax. With the consumer and processor out of the picture it leaves only the poor farmer to pay the tax, the same poor farmer this bill professes to help, and pay it he would by having it deducted from the market price when he delivered his wheat and hogs to the miller and packer.

I know nothing about wheat, but let me make this observation: Before the war the average consumption of bread flour was a ltitle more than a barrel per person. During the war we could not get all the bread flour we wanted. The result was we were compelled to resort to substitutes.

I call attention to the fact that from the close of the war up to this time the consumption of wheat flour has never gone back. Substitutes are still being used to some extent. Last year the people of this country consumed 39 pounds less of bread flour per capita than before the war. It is my thought that if the price of wheat flour is now raised \$2 to \$3 per barrel those same conditions will again obtain and substitutes will be more generally used than ever. Just where will that leave the wheat farmer?

The Bureau of the Census reports there are over 8,000 processing mills where wheat, cotton, rayon, and silk are processed. There are literally thousands of little slaughtering establishments not in that calculation. Anyone can draw his own conclusion as to how many men it will take to police these establishments.

In addition to policing all of these processing establishments and slaughterhouses I do not know how many million farms will have to be checked and policed. Some one suggested 6,000,000. Perhaps that is high, but it is safe to assume that if it takes 12,000 employees in the Bureau of Internal Revenue to handle four and a half million income-tax returns, the force necessary to properly carry out the provisions of this act will be a very much larger army.

If dairy products, peanuts, beans, rice and other farm commodities are by amendment added to this bill, it is no exaggeration to say that, in theory, at least, a sales tax of a hundred dollars on the bare food necessities of life will be placed upon the head of every family of five persons. If the farmers of this country were the only ones in distress Congress would be justified in helping them by enacting legislation to raise prices on farm commodities, but when at least 20,000,000 of nonfarmers are struggling to obtain enough to eat we are not justified in making it more difficult and impossible for these poor people to get enough to keep body and soul together. Instead, let the Congress enact some type of legislation which will give immediate relief to the farmers in saving their farms from foreclosure and relieving him from interest charges that are slowly bearing him to the ground.

If I had the time, I would like to discuss a provision in this bill regarding the vacant acreage. There is a provision in the bill that gives the Secretary of Agriculture absolute authority to determine what can be grown on that acreage. In other words, if the Secretary sees fit he can issue an order or proclamation that will provide that on such land nothing can be raised except, perhaps, posies and pinks.

The argument is always advanced that farmers producing crops with an exportable surplus should receive special assistance. Why should the people of the United States be penalized to assist those who year after year persist in raising more than they can domestically sell? Furthermore, farmers producing those crops are not one bit worse off than the farmers producing crops that are not having a so-called exportable surplus.

It is sad but true that foreign markets for any of our farm commodities are nearly a thing of the past. Every country since the war has been making a desperate effort to increase production and are slowly but surely succeeding as is evidenced by the fact that our exports of pork products have fallen and fallen and are now only 2 per cent, to cite only one example.

In conclusion, let me say that in the last analysis the consumer exercises a veto power over legislation of Congress. We can sit here and pass this fool law if we wish, but the consumers will veto it.—*Extracts, see 3, p. 4.*

Hon. Joseph W. Martin, Jr.

I REALIZE in the rehabilitation of the farmer we are helping every part of our national life, but my sympathy cannot lead me to support this monstrosity in the form of an allotment bill. It is frankly termed an experiment. It is all of that. It is an experiment that will cost the consumers of this country \$1,000,000,000. In these times of unemployment, of pinched incomes, it is a serious proposal to come here and say to the consuming public of America they must have an additional burden of \$1,000,000,000 a year placed upon their shoulders. This sales tax is not on the luxuries or articles of occasional use. This tax falls upon the neces-

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PRO

Kopp *Cont'd*

objections if the bill had not been satisfactory to him.

Whether this bill, if enacted into law, will actually work in the manner indicated by its sponsors, I do not know, but I sincerely hope that it may prove a success.

The purpose of every previous farm relief bill was to raise the price of farm products. That is the purpose of this bill. With that purpose all farmers and all friends of the farmers are in entire accord. All realize that higher prices for the farmers will not only help the farmers themselves, but will also mean an improvement in every other line of industry. There have, however, at all times been strong differences of opinion as to how best to accomplish that purpose. Evidently such differences of opinion still exist. I fully realize that many doubt the wisdom of this bill and that many question its ultimate effect.

We should bear in mind that if this bill does not become a law at this session it will be passed after Roosevelt becomes President. That being the case, will it not be better to pass the bill now, give it an early trial and thus without delay learn what it will do by actual operation? If the bill will afford any relief the sooner we get that relief the better.—*Extracts, see 3, p. 64.*

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Hon. John C. Ketcham

In my opinion the most significant need to be met in connection with agriculture is to improve the farm price situation. I put that No. 1. Because I believe this bill has for one of its primary purposes the improvement of the price situation in four major agricultural products, I am giving this bill my support.

To show that I have some ground for the statement that I believe the price situation to be the most critical thing in agriculture, I submit, in addition to the other observations that have been made, two or three rather striking illustrations. First, last year the farmers of the United States paid in interest account upon their mortgage indebtedness $568,000,000. If I put that in terms of wheat, judging only by the production and price of last year, before the farmers of the country could pay their interest charge alone, they would have to produce 1,420,000,000 bushels, such interest charges representing about 13 per cent of the farm income of the United States. In other words, if we translate this mortgage interest into terms of the present value of wheat, we have this astounding comparison, that it would require nearly three times the amount of wheat to pay this interest charge in comparison with 1909-1914, because the present price is slightly above one-third of the pre-war price. That is, using $1 as the base, the present index price of wheat would be 36, a trifle more than a third. Therefore, since the price situation is so critical in connection with agriculture, affecting every single phase of it, and because this bill promises some relief in that direction, I am giving it my support.

In the second place, I am giving my support because I believe it goes to the very crux of the whole situation so far as farm surpluses are concerned. In a few of our crops we produce considerably more than our consumption needs, and wheat is one of these products.

Our consumption need is approximately 600,000,000 bushels of wheat a year, while the average production is about 800,000,00 bushels. This bill undertakes to go directly to that point by offering a premium in the way of an adjustment certificate to the man who curtailed his acreage during the last year, contributing to that extent the lowering of the surplus, so far as he is concerned, and who, in addition to that, agrees for the coming crop year likewise to go along on the program of reduced production. If the theory of the bill is correct we may say that eventually as more farmers come in, and finally qualify 100 per cent, then the price level would be adjusted to the point where the price of wheat would be on a level with general commodity prices, and then, by the terms of the bill, the bill passes out of force and effect, its objective having been accomplished.

Another reason that I am for the bill is because it levies an adjustment charge and therefore goes into a legislative field which we have not entered heretofore to any great extent, in an effort to make an adjustment of farm prices to other commodity prices. I am not presuming to go into the constitutional features of that proposition, for obvious reasons, but if the present maladjustments of farm prices is not "affected with public interest" I can not imagine what situation could arise that would be so adjudged.

The constitutional argument aside, may I now present the reason why I believe we ought not hesitate longer to enter into this field of price adjustment, at least by way of experiment, to see whether or not something can be done in the way of an improvement in prices for farm products, so grossly out of line today. If you do not believe they are out of line, let me give you some significant figures. In 1909-14 the farmer's wheat dollar was a 100-cent dollar in its purchasing power. In November, 1932, that wheat dollar became a 36-cent dollar. By that I mean its purchasing power had diminished relatively from $1 in the period 1909-1914 to 36 cents in 1932. The cotton dollar, in which our friends from the South are vitally interested, was, of course, $1 upon the same base in 1909-1914, and that now, according to present prices, is a 48-cent dollar. Forty-eight cents in its purchasing power. If we take the farmer's hog dollar upon the same basis we find it at the present time to be a 42-cent dollar. Then if I go into the great Middle West and I look at that great crop upon which they base their material prosperity, the corn crop, I find on the same basis the farmer's corn dollar today is a 30-cent dollar.

Now, when you consider this depreciation of values and the tremendous significance of it—not only in the field of agriculture but in the industrial field—I think if you are fair you will say that is a prime reason why we are passing through this dreadful state of depression. If, on the other hand, you say to me, "How, for instance, is the bread dollar today in comparison with what it was during this base period?" I will be glad to present these figures for you as well. The bread dollar of 1909-1914 was, of course, $1. The bread dollar of 1932 is a 99-cent dollar in contrast with the wheat dollar of 1909-1914

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CON

Martin *Cont'd*

sities of life, the poor man's head, the clothing which protects him from the wintry blasts and the foods from which he obtains sustenance.

The burden will fall mostly on the poor men and women of the country. For instance, in cotton cloth, it would mean an additional 15 to 20 cents in the purchase of a cotton jacket or of a pair of overalls. Of course, the greatest burden must fall on the poor men and women, because they use cotton more than those who are in a more fortunate class.

The chairman of the Committee on Agriculture has said that this is a drastic bill. It is all of that, because it means that every poor family in this country, when they go to buy a barrel of flour, must pay $3.25 more for it; it means when every person goes into a bakeshop to buy a loaf of bread it will cost 1½ cents more to buy it. It means when anyone buys cotton goods they must pay 35 per cent more for their goods than they would otherwise pay, if this tax goes into effect. Oh, yes; it is a drastic bill.

New England is a great user of cotton. We consume in those six States which constitute the northeast part of this country 680,000 bales of cotton every year. With an estimated tax of $30 a bale, that means a tax on the manufacturers of New England of $20,000,000 a year. Of course, that tax will be increased as it is spread along to the consumer, because it will naturally be pyramided.

This tax cannot be paid by the manufacturer. It must be paid by the consumer. No textile manufacturer, whether in the South or in the North, is prosperous enough today to absorb this tax. If the price of cotton goods is increased while the tax does not apply to other materials, we are in great danger of making less consumption of cotton than there is today. We in New England have had an illustration of how jacking up prices to abnormal levels works out. Some years ago we were the great consumers of anthracite coal. Through one reason or another the price of anthracite coal reached such a figure the people were forced to use substitutes. What is the situation today? So general has been the use of substitutes that more than half the people of our section are burning oil. No man can be in the coal business unless he also has a side line of oil. That is one of the things I fear for this bill. It will mean less consumption of cotton. There will be less work for those who are in the textile business. In recent years alert manufacturers have developed new fields for cotton cloth. With higher prices only to the raw cotton is there grave danger threatened.

In recent days we have been talking about reducing the cost of Government. We have been alarmed, and speeches have been made in the House upon the huge bureaucracy that has grown up in this country in the last few years. What is proposed in this bill? It is true that the tax does not go directly to the Government but in the end it goes to the people who make up the Government. You are going to put on a new force of at least 50,000 men and women to make this law function. That is something the people of this country will not stand for. It has been said this is not a political gesture. I agree with that, because I do not think anyone could be so simple-minded politically as to bring a bill like this before the House with that thought in mind.

When this huge tax burden is placed upon the consuming public, upon the people who live in the great cities of this land, there will be a revolt. These burdensome taxes without benefiting the farmer will not yield any political advantage. The farmer is not so simple as some people think he is. He will not stand for huge burdens and little benefits. So I say let us hesitate before we take this leap in the dark. Let us remember unpleasant experiences of the past when the Government has tried to interefere too much with private business and direct our attention to efforts which will give greater justice than this proposal.—*Extracts, see 5, p. 64.*

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Fred J. Lingham

It goes without saying that the interests of the farmer and the miller are identical. We are partners. They grow wheat. They cannot dispose of that wheat in the form of flour without the miller. We millers would have no business if we did not have the partnership with the producers of wheat, so that our interests are identical. Anything that is good for us is good for them and what is good for them is good for us.

The mere milling of wheat, however, is a small matter. Our big job is to dispose of that to the consumer.

There is this point that we must realize: The farmer can get only what we get. This situation, during this economic crisis, has been demonstrated where the buyers have been demanding cheaper flour. He has found it necessary from an economic standpoint, perhaps, to demand this, but I think there has been a growing tendency on the part of the buying public, generally, to save money, to save pennies, to buy a cheaper goods. I understand that is quite common in most lines, that there is a demand for cheaper products, and one of our troubles with the proposed plan is that it is going to raise the price so much.

As to the general level of prices, nothing would bring the millers of this country more satisfaction today than to see wheat two or three times what it is, with all other grains and other farm commodities right along the line. If we could have such a situation as that, the millers, I think I can say without exception, would really be delighted.

To come to an analysis of the proposed plan: It is, of course, just a plain sales tax. It means a tax on flour of from three to four dollars per barrel; a tax on cotton, if I understand the latter proposal, although I may be incorrect, of 8 to 10 cents a pound; on pork of 2 cents.

This means a per capita sales tax; on flour it means $3; on cotton from $1 to $1.50, and on hogs about $2. This means an average sales tax on every man, woman, and child in the country of at least $6, or in a family of five $30.

Whom would this tax hit most heavily? We think it is safe to assume, although we have not been able to get any definite figures, that the average laboring man's in-

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PRO

Ketcham *Cont'd*

having become a 36-cent dollar in 1932. I do not want people from the cities to lose the significance of that. In practical language, what does it mean? It means that whereas the price of wheat today is scarcely more than one-third of the price of wheat in 1909-1914, at the present rate there is only a differential of one point decrease in the price of bread as against that of 1909-1914.

I would like to have the cotton men, both the producers and those who are interested in the industrial side, listen to this statement. From the farmer's standpoint, the actual cotton dollar in 1909-1914 was $1. From the farmer's standpoint, the cotton producer, it was a 48-cent dollar in 1932, but when we go to the field of manufactured cotton goods, the dollar of 1914 is still a 100-cent dollar, as far as manufactured goods are concerned. In plain English, that is to say, whereas the raw-cotton product of the American farmer has been more than cut in two for practical purposes, the price of manufactured cotton goods remains at the level of 1909-1914.

I might go on with other illustrations, but I am sure that when you make those comparisons and observe what has been the effect upon the farm income, certainly no man should have any hesitancy in supporting this measure, and he ought not be mumbling very much concerning the constitutionality of a proposition that is so vitally attached to what we call public interest. Do you say to me in good conscience that there is no public interest whatsoever involved in the diminution of the farm income of the United States from $12,000,000,000 as it was in 1929 and the preceding decade, to what it has been for the last number of years, namely, $5,000,000,000? Do you mean to say to me that here is not the place to begin to restore the prosperity that we all desire? Do you mean to say to me that if you do improve the purchasing power of the farmers of the United States to the extent that is designed in this bill, it will not affect the interests of all the people of the United States? If that is your logic you have not come up in my school of training and thinking.

I referred to the astonishing fact that the farmers of the country, if they were to discharge their interest obligations for a single year would require a wheat crop one and one-half times that which we ordinarily produce. That is in order to meet interest charges alone.

Now, may I go to the tax field and call attention to that situation? Upon the same basis that I have been proceeding, in 1909-1914 the farmer's tax dollar was a 100-cent dollar, but in the year 1932 that dollar had become a 266-cent dollar. In other words, more than 260 per cent increase in taxation has been incurred. Now, if you put that upon the basis of present values of the products, just listen to this astonishing statement: The tax dollar of the American farmer has grown from 100 cents to 266 cents in the period between 1909-1914 and 1932. Now, if you were to measure that in the value of products, if we were to pay that tax today upon the basis of the present price, it would take $7.36 measured in wheat, it would take $5.53 measured in hogs, it would take $6.38 measured in cotton, and in corn it would take $8.86.

To sum it all up, measured in dimunition of income, in the loss of value, in the loss of purchasing power, certainly it does seem to me that from a practical standpoint we are entirely justified in supporting this, and we ought not to hesitate to go into this field, because upon its face the bill says that this is for a limited time; it is an emergency measure, and it passes out by its own terms, unless by proclamation of the President there shall be an extension of one year.

Is there a man from the great bread basket of the country, so called, who does not remember what happened last June when there was a brief rise, not extending over two or three weeks, in the price of hogs? If you do not recall that that had some effect upon all lines of industry, just consult the indexes. Immediately there was new courage and there was new interest in every line.

My conviction is, and has been for some time, that the way to recovery does not rest in tremendous building programs that involve increased taxes; that it does not rest on many of the lines suggested; but based upon years of study and experience, that the best thing that can be done is to begin right here with a legislative effort to raise the price of farm products in the sure conviction on my own part that it will be immediately reflected in better prices everywhere and in much desired employment.—*Extracts, see 3, p. 64.*

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W. R. Ronald

While extravagant claims are usually made for proposed legislation, the following anticipated benefits from the proposed act are, I believe, at least arguable:

First. It not only prevents any increase in production as a consequence of realization of the tariff on farm products not now enjoying it, but it provides for a positive method of decreasing or increasing production as it is evident to the Farm Board is required either for a fair income to the producer or a fair price to the consumer; and in addition, the tariff rates would be flexible, providing a further safeguard to consumers.

Second. Thus the act would accomplish real stabilization, in an unsuccessful attempt to secure which Congress has made available to the Farm Board a half billion dollars, and it would be accomplished by dealing altogether with production and not at all with marketing. At the same time the present marketing act is not disturbed, this being proposed as an addition. Thus the cooperatives could still be assisted or encouraged. But with stabilized markets their operations could easily be financed without Government funds, thus releasing in all probability much, if not all, of the five hundred millions voted to the Farm Board. This is a source of income for the Treasury which has been overlooked in the quest for a balance for the Budget. Very largely, therefore, it could be used to put the Government out of the grain and cotton businesses.

Third. The bill attains all the ends and more of present and proposed legislation, as heretofore explained.

Fourth. The measure would produce not less than $700,000,000 of tariff benefits to the producers of wheat,

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CON

Lingham *Cont'd*

come today is not over $2.50 a day. That would mean about $750 per year if he is fortunate enough to have full working time of 300 days. That would mean a tax on his income of 4 per cent, not to go into the Federal Treasury to help balance the Budget but to go, in this case, just to three groups of producers—wheat, cotton, and pork.

Then, with the men out of employment today, it means a further hardship. He would have to find the wherewithal in some way to pay this tax in buying his commodities; and, of course, in many cases it would simply increase the relief work burden.

It would be an especially heavy burden on the man of small income, not only because of the amount, but because of the fact that the laboring man or the man of small income is the largest individual consumer of these commodities in question.

The question has been raised at different times as to whether the tax could come out of the processor. I think it is acecpted that that would be entirely out of the question. Indeed, the tax on the production of flour, such as is proposed here should be set up, if made as a tax on the milling industry for nine months, is more than the entire investment of the milling industry. Absolutely, it would put every miller, if they by any possible means could absorb it, into bankruptcy in 30 days.

The miller's profit over the country averages something less than 20 cents a barrel. Of course, you could not get a sales tax of $3 to $4 out of that.

Bringing the sales tax to a percentage basis, it would mean a sales tax on flour of 75 to 100 per cent or more; on cotton of 100 per cent or more; and of course, the user of flour would have to pay that in the purchase of his flour; and I think it was brought out previously by Mr. Snow, in connection with the fact that when it was thought a general sales tax was desirable for the purpose of meeting the Budget, that the 2 per cent proposed would not apply as to food and clothing.

Of course, the difficulty is with surplus; and the surplus is simply the difference between the production and the consumption. We believe this plan will increase the surplus. We believe it will increase production.

As we understand it, the farmer is to receive a bonus on wheat; on that part used in domestic consumption or processed in any way. He would, in other words, get it on only a part of his crops. But, we believe, with this bonus in sight that quite a considerable quantity of land that might otherwise be permitted to lie idle in relation to this crop, or perhaps be not used, would be put into cultivation under this plan, or kept in cultivation, in raising wheat. Also, I think it is safe to assume that there could be no law that would prevent a man from starting the raising of wheat who had not raised it in the past. In just what way he would be allowed to receive some bonus, I do not know, but certainly he should not, and it could not be expected that he would be kept from receiving a part of the bonus for any great length of time.

We believe it would reduce consumption. Of course, in the first place, it would result in the use of substitutes. An economist was recently asked what substitutes there were for flour, and his answer was "all foods."

And when the ability of men to buy today is considered, we must realize also that his buying of other needs, of automobiles, of house rent, or whatever it is that he is consuming that it would affect his purchasing power which would be reduced by any tax taken from him and turned over to other people.—*Extracts, see 7, p. 64.*

Oscar Mayer

I WOULD like to emphasize, first of all, that it is wise never to forget that the packing industry is merely a phase of agriculture. The packing industry is the processing, financing, and marketing agency for the livestock industry.

It is proposed to place a progressive tax upon hog products, commencing with one-half cent a pound and increasing gradually to about 3 cents a pound, to be collected from the processor, namely, the packer. Entirely aside from the important question as to whether a basic food should be taxed at all, or, at least, to this amazing extent, amounting to a sales tax of about 50 per cent, it is my firm conviction that a tax of this type, levied upon the processor, is not collectible.

Many industries can pass on a tax to the consumer. This applies, for example, to gasoline. This product is made by a small group, easily controlled, with large invested capital. The product is comparatively nonperishable, and there is no substitute.

Both the live hog and hog products are highly perishable and come to market in a supply entirely beyond the control of the processor or packer. The animals must be promptly bought when sent to market by the farmer and at least one-third of the live weight must be sold within two to four days after slaughter as fresh pork. Another 30 per cent matures in from 20 to 60 days as cured and smoked pork, such as hams and bacon.

Under the law of supply and demand governing perishable products of this type, hog products have, since time immemorial, been sold to the retailer for the highest price the given supply would bring in a highly competitive market. Since the demand for pork products has always been highly sensitive to price, it is axiomatic to a person versed in the pork business that the selling price of a given supply of pork cannot be raised without a part of the supply remaining unsold. Even as much as one-quarter of 1 cent determines the ability of the packer to sell his product or to find himself "stuck with it" at the end of the day. The packer has always had every business incentive to get the highest possible price for his product, since he has paid for it in cash and is naturally desirous of realizing all that he can out of it. If the foregoing set of conditions are clearly understood, which I have found somewhat difficult for people not intimately familiar with the packing business, it will be clear that no tax upon pork products can be passed on to the retailer. The product has a given competitive value, re-

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Ronald *Cont'd*

cotton, hogs, tobacco, and rice, and much more, probably, as a result of markets strengthened by stabilization and by bringing production closely into balance with consumption.

Fifth. It would make certain the collection of outstanding seed and feed loans made by the Federal Government and would probably render them unnecessary in the future, as the allotment certificates could be used for credit.

Sixth. The direct returns to producers would amortize the $7,000,000,000 of farm mortgages now outstanding (to use a most conservative figure) in 20 years. That is to say, the $7,000,000,000 would pay 5 per cent interest on the principal and retire the principal in 20 years, making no allowance for reductions in interest as the balance due is decreased. This would show the way to hundreds of thousands of farmers who are now unable, because of low prices, even to pay interest on their indebtedness, or even their property taxes.

Seventh. This, in turn, would protect the Federal land banks and private farm-loan companies from further losses, and should enable them to dispose of lands taken on foreclosure at satisfactory prices. In other words, and what is more significant, it would put a firm bottom under the farm real-estate market, with all the resulting benefits in bringing about a recovery in agriculture.

Eighth. Through the stabilization and prevention of overproduction made positively possible under this plan, the Farm Board should be able to recover losses sustained in its attempts to stabilize the wheat and cotton markets.

Ninth. It would decentralize administration of one important governmental activity. The county commission is the important body in this set-up, and thus the problems of the farmer would be largely dealt with by his neighbors.

Tenth. It would bring about the first price recovery, and this is now recognized by responsible business leaders as the one way by which to begin a return of public confidence.

Eleventh. It would open a market closed for the past 10 years because the exchange value of farm products has kept the farm dollar at a discount of from 8 to 48 cents, as shown by Department of Agriculture reports. The 30,000,000 people dependent on agriculture have not participated in the buying of the past decade for want of purchasing power. Potential sales to them are simply enormous.

Twelfth. In a word, this is an emergency reconstruction measure of the first magnitude, but markedly different from others enacted and proposed in that it would be completely self-financed, making it possible for our greatest industry to help itself to its feet.—*Extracts, see 4, p. 64.*

Mayer *Cont'd*

gardless of any tax it may carry or of any other costs behind it. Therefore, a tax upon products must be absorbed by the packing industry itself or passed back to the hog producer through a reduction of livestock prices.

It is no idle statement to say that the packing industry has throughout its history, but especially during the last 25 years, absorbed all of the costs it could, as is evidenced by the fact that this important processing, financing, storing, and selling division of the livestock industry has not averaged 1 per cent of net profit during this period, a profit which, in spite of the risks involved, is hardly equal to a brokerage fee. The average of this profit has been between one-eighth of a cent and one-fourth of a cent per pound, depending upon the price levels. There have been several years, notably 1921, 1931, and 1932, during which the aggregate of the industry has been a loss, as the records of the packers and stockyards administration will show. Under these conditions, any absorption of the tax by the packing industry is clearly impossible and there remains only the final alternative of pushing the tax back upon the farmer, in the form of lower prices for livestock.

It is my firm conviction that any tax upon pork will almost immediately have to reflect itself in the form of lower hog prices, equivalent to the tax, so that, like all past legislation, legislative agricultural panaceas, this legislation will accomplish nothing; will, in fact, deepen the plight of the farmer.

For it is designed in this legislation to delay return of the tax to the farmer, through interposing an administration which will plunge the Government more deeply into business, set up another large group of office holders, possibly requiring another $17,000,000 building on Pennsylvania Avenue. This administration will require nationwide control of approximately 4,000,000 hog farmers, including acreage control, hog counts, determination of numbers and weights sent to market during previous years, segregation of pork products intended for export, and many other difficult administrative features. By the time the poor farmer gets his share of the tax, after several months, he will find a heavy deduction for administration and will, in addition, have lost the only great spot cash market he has ever enjoyed.

For the Government to determine accurately for the millions of farmers in the country what past hog-raising policy has been and what future allotments should be is an insuperable task and one which will give rise to grave abuses.

It seems to me, furthermore, to be of paramount importance at this time that further intrusion of government into business be stopped and that the cost of government be decreased and not increased by the creation of further administrations.—*Extracts, see 7, p. 64.*

The 72nd Congress « « Now in Session

Duration—March 4, 1931-March 4, 1933. First Session Convened Dec. 7, 1931, Recessed from Dec. 22, 1931 to Jan. 4, 1932. Adjourned—July 16, 1932. Second Session Convened Dec. 5, 1932, ends March 4, 1933

In the Senate

Membership
Total—96

48 Republicans — 47 Democrats
1 Farmer-Labor

Presiding Officer
President: Charles Curtis, R.
Vice-President of the United States

Floor Leaders

Majority Leader
James E. Watson, Ind., R.

Minority Leader
Joseph T. Robinson, Ark., D.

In the House

Membership
Total—435

209 Republicans — 219 Democrats
1 Farmer-Labor
6 Vacancies

Presiding Officer
Speaker: John N. Garner, D.
Member of the House from Texas

Floor Leaders

Majority Leader
Henry T. Rainey, Ill., D.

Minority Leader
Bertrand H. Snell, N. Y., R.

The Month in Congress---

Political Developments

With six weeks of the last "Lame Duck" sessions of Congress to go, what promised to be an uneventful session seems now likely to turn into an exciting one.

So far there have been sporadic outbursts of excitement, such as the vote in the House on the Garner resolution for repeal of the Eighteenth amendment, the House vote on the beer bill, the passage of the Philippine Independence bill by both houses over President Hoover's veto, and the filibuster in the Senate by Senator Huey Long of Louisiana against the Glass banking bill.

Of course, there was much talk of cutting the expenses of Government by drastic reductions in the annual appropriation bills, but no serious efforts have been made in this direction.

But the general tone of Congress has been one of waiting for March 4 when the Roosevelt administration will be installed with complete Democratic control of both houses of Congress.

This attitude had created the general impression that Congress would remain quiescent in the meantime.

Ever since Congress convened last December there have been rumblings from the press and other sources about the waste of valuable time on the part of both houses. President Hoover has sent messages urging that the budget be balanced. All these complaints fell on deaf ears until the episode of the Long filibuster. This served to bring to the attention of the entire country the disorganized and leaderless condition of the Senate, and drew a veritable avalanche of invective from the press in practically every state in the Union, to say nothing of a flood of direct letters and telegrams to individual Senators.

To use the vernacular, this criticism "got under the hides" of some of the leading Democrats in the Senate. They were worried mainly because they feared that the Glass-Long controversy would give the Democratic party a black eye. The banking bill was written and sponsored by one of the leading Democratic national figures, Senator Carter Glass of Virginia, Secretary of the Treasury under the Wilson administration, probable Secretary of the Treasury under the incoming Roosevelt administration and a recognized authority on banking.

The bill was opposed by a Democrat who, within less than two years, has, by his spectacular methods, sprung into national prominence. The controversy was more or less of a family affair, although there were indications that Senator Long, lacking experience in Senatorial parliamentary procedure, which can be made quite complicated, was "fed" by two or three Old Guard Republicans who, out of pure devilment, fanned the flames of the Democratic row by giving Senator Long private expert advice on how to prolong his filibuster.

In addition to the Glass-Long row, a group of clear-thinking Democrats in Congress are recognizing that the lack of knowledge concerning Governor Roosevelt's plans has been something of a handicap to the party in establishing itself in the public confidence. That Governor Roosevelt has something definite in mind they firmly believe. Furthermore, they are willing to admit that there is something in the argument that it is wiser for him to submit silently to criticism now, because what he would say now would arouse opposition from one or the other—the liberal or the conservative—wing of the Democratic party in Congress, and that it is better for him to wait until he is in the White House, with patronage at his disposal, before telling the Democrats in Congress what he wants done.

At the same time, this handful of Democratic Senators are seriously considering taking matters in their own hands. Their plans have not been fully formulated, but the indications are that they may decide to make a serious effort at accomplishing something toward economy in Government expenditures by a determined attack on the appropriation bills.

Their point is that somebody must arise in response to the nation-wide demand to lower the cost of government, because if the Democratic party fails on this score it will be punished at the polls at the first opportunity offered to the voters to do so. If this plan is carried out, the remaining days of the session will be far from dull, for a few determined Senators can hang up all the appropriation bills until the extra session, as they do not have to be passed now. Any time up to June 30 will do. In the extra session they can be made to conform to a general Democratic economy program.

Progress Made by Major Legislation

From December 20, 1932 to January 21, 1933

Appropriations

IN spite of much apparent confusion in both houses of Congress, the annual appropriation bills have been making normal progress. By January 21 the House Committee on Appropriations had reported six of the eleven bills to be considered, and the House had passed four of them. The Senate Committee has reported two and had passed one of these, the First Deficiency Bill, which is in conference as the DIGEST goes to press.

As a matter of fact, the progress of the appropriation bills is slightly more advanced in this session than it was at the same period in the last session.

Nearly all the Appropriations have been reduced in the interest of economy, but the final results cannot be estimated until after the bills have been finally acted upon.

If trouble is ahead for the supply bills it will occur in the Senate where private threats have been made to fight for further reductions.

Banking

THE banking bill, introduced by Senator Glass of Virginia was still before the Senate on January 21 with the chances of its final passage problematical. The bill amends the existing laws by permitting branch banking and makes changes in the Federal Reserve Act, and requires national banks to divorce affiliates within one year after the passage of the act.

It was his opposition to the branch banking provisions of the bill and because he wanted the Secretary of the Treasury to be the ex-officio head of the Federal Reserve Board, that caused Senator Huey Long, of Louisiana, to start a filibuster against the bill.

How much of the original bill will remain by the time it is passed by the Senate cannot be predicted with safety. When the Senate has voted on it, the DIGEST will report the provisions of the bill.

Even after the Senate has agreed, however, the answer will not be final, as the measure is almost sure to be amended by the House.

It is expected by those back of the bill that it will be passed in some form before the end of the session, although they admit its fate in the House is uncertain.

Bankruptcy

ON January 21 the House Committee on the Judiciary reported a bill (H. R. 14359) introduced by Representative Hatton W. Sumners of Texas, Chairman of the Committee, to so amend the Federal Bankruptcy law as to facilitate debt readjustments for individuals, corporations or railroads. The Sumners bill is a composite of bills introduced by Representatives McKeown of Oklahoma (H. R. 14133) and La Guardia of New York (H. R. 14110), with other features added.

In a statement describing the purpose of the bill, Representative Sumners said:

"If a man has a going machine—a going business—and it is encumbered with debts that tend to interfere with its operation, we want to facilitate the process of getting the debt off the machine, instead of breaking up the machine and scattering the parts, and we want also, if possible, to leave the original operator in charge. That mixes metaphors, but it gives an idea of our objects.

Moreover, if we can avoid the present crisis—avoid having to settle debts now—the element of time would probably work to help save individuals and companies that are in difficulties because of debts.

We hope also that debtors, finding that they cannot collect all of their debts, will be content to take what they can get without breaking down the business of the debtor. They probably would get more if they were so content.

For instance, if a man owes $300 and he has only $100, a bankruptcy proceeding might well yield for the creditors only $50, the remainder being taken up in administrative expenses of the settlement. If they deferred action against the debtor and agreed to take what he could afford to pay them, he probably could pay them more than the $50 —maybe $85 or even $100—and still keep his business operating.

Many persons find themselves victims of the present economic situation through no fault of their own, and not even through any serious business fault. They should be kept in the economic system instead of being forced out.

Another objective which we have written into the bill is aid for farmers owing mortgage debts and in financial distress. The city man, if a foreclosure is brought against his house, may move a block down the street into another house and go along much as he did before. But with the farmer it is different.

Foreclosure on a farm means not only that the farmer loses his home and probably has to move some distance away, but also that he loses his means of making a living. We want to help him if we can."

Among the important provisions of the bill is one which provides that in railroad reorganizations the court having jurisdiction shall have power to approve or reject any reorganization plan offered by the Interstate Commerce Commission and return it to the Commission with a statement of the reasons for rejection. Under the original LaGuardia bill the approval of the Commission was final in such cases.

In case of court disapproval of a reorganization plan, the Commission could present a new plan. The measure

is so drawn that the Commission's plan has a presumption in its favor, however, and a court would disapprove it only if there were apparent arbitrariness or unfairness in the plan.

Another provision added to the bill in Committee is one for readjustment of debts of farmers. Under the clause, district courts would be empowered to appoint referees for every county in the United States to whom farmers having difficulties in meeting their mortgage payments could bring petitions for readjustment of their debts or for extensions of time for payment.

The bill, in general, provides that a debtor or his creditors may file with the proper courts petitions stating that the debtor is unable to meet his obligations and asking a readjustment of the entire situation. The petitioner, after hearings and other proceedings, would offer a plan for readjustment of indebtedness, designed to be fair to all the parties in the case, and the court would have authority to make the plan effective or to reject it as not meeting the requirements of fairness or proper protection of secured creditors.

In the case of corporations, the court would have full jurisdiction to arrange matters to provide a fair settlement for security holders and other creditors of the corporation.

Chairman Sumners has asked for a special rule for the consideration of the bill in the hope that it can be passed at this session.

Senator Robinson of Arkansas, after several months' study of the farm mortgage problem which is so acute throughout the country, and after consultation with leaders of farm organizations, has prepared a number of amendments to the bill, which he will offer when the measure reaches the Senate, amendments designed to insure further protection to farm owners. (See the DIGEST for June, 1932.)

Beer

ON January 23 the Senate Committee on the Judiciary reported the House Beer bill H. R. 13742, reducing the alcoholic content from 3.2 per cent to 3.05 per cent and including wine and other beverages.

The Senate Committee also added to the bill a restriction on advertising so that no announcements of prices or places of purchase may be carried into dry states, and a provision prohibiting sales to minors.

Comments on the advertising provision are to the effect that it will effectually prevent any advertisement of beer or wines over the radio.

The advertising amendment, proposed by Senator Dill of Washington reads as follows:

"(c) It shall be unlawful to advertise by any means or method, any of the liquors of fruit juices described, in violation of this section, or the manufacture, sale, or keeping for sale, or furnishing the same, or where, how, from whom, or at what prices the same may be obtained, in any State, Territory, or District of the United States, if by law in force at that time in such State, Territory, or District, or other politcal subdivision, it is unlawful to manufacture or sell such liquors or fruit juices.

"Provided, however, that nothing in this subsection shall apply to newspapers published in foreign countries when mailed to this country. Any violation of this subsection shall be punished in the manner prescribed by law for violations of section 17 of the National Prohibition Act."

The vote by which this amendment was placed in the bill was 8 to 6 according to Senator Norris.

There was no record vote on the amendment prohibiting sale to minors. The amendment prohibiting the sale of beer or wines to minors reads:

"It shall be unlawful to give or sell any of the above described beverages to persons under 21 years of age. Any person violating this subsection shall be liable to a fine of not exceeding $100 or imprisonment for not exceeding six months, or both."

After being reported by the Senate Committee on the Judiciary the bill went to the Committee on Finance which will consider its revenue raising features.

The fate of the beer bill at this session is still in doubt. The majority opinion appears to be that the bill will pass the Senate, be ironed out in conference and sent to the President, who is expected to veto it.

In this event it will be finished as far as this session is concerned, since the vote in the House showed that the proponents of the measure cannot muster the necessary two-thirds vote to pass it over a Presidential veto.

Although they express confidence that the Democratic House and Senate will pass a beer bill promptly in the extra session and that Governor Roosevelt, as President, will sign it, they are nevertheless extremely anxious to see the martter disposed of before the close of the present session and are working hard to that end.

On the other hand, the opponents are working equally hard to stave off action as long as possible. Among the opponents, the out and out drys are playing for time on all anti-prohibition legislation. The manufacturers of distilled spirits—whiskey and brandy—are fighting the beer bill under cover because they feel that it not only gives the brewers a monopoly but also that if it is passed without the repeal of the Eighteenth Amendment the support of the brewers for repeal will be lost, since the brewers, under the provisions of the beer bill, will be just as well off and, perhaps, better off without repeal than with it.

Another group of opponents are sincere wets who feel that no satisfactory bill for light wines and beers can be drawn until repeal is effected. (See the DIGEST for January, 1933.)

Currency

A STRONG movement is on foot among western Senators and Representatives for a change in the monetary system. Various plans have been advanced but none will be acted upon at this session.

This entire subject will be dealt with in the March number of the DIGEST.

Economy

THAT nothing approaching a definite policy on Governmental economy will be arrived at before March 4 was made plain when the Democratic leaders in the House definitely decided not to act on President Hoover's recommendations to assist in bal-

ancing the budget by authorizing him to consolidate various bureaus in the executive departments.

This problem, the Democrats declare, will be given prompt consideration by Governor Roosevelt and the Democratic House and Senate during the forthcoming extra session.

Cuts are being made in all departmental appropriation bills, but no information as to a comprehensive plan will be available until Congress receives recommendations from Mr. Roosevelt. It is expected that Congress will enact legislation giving the new President extensive authority to consolidate various bureaus and agencies.

This, however, will involve a reduction in personnel, and Senators and Representatives who have seen service in Congress through several administrations privately express the opinion that reducing the number of Federal employees is something easier said than done, particularly in a period of economic depression, when the demands for Federal offices is heavier than usual.

Eighteenth Amendment

Serious plans for further efforts to pass a resolution for the repeal of the Eighteenth Amendment at this session have been abandoned. The question is expected to come up at the extra session.

Foreign Debts

The Foreign Debt situation has cleared somewhat as the result of the conference between President Hoover and President-elect Roosevelt on January 20, when it was agreed that Great Britain, who has asked for the opening of negotiations on her debts to the United States, should be invited to confer with the new administration in March.

At the White House conference, which was requested by Governor Roosevelt, were President Hoover, Secretary of State Stimson, Secretary of the Treasury Mills, Governor Roosevelt, Professor Raymond I. Moley, of Columbia University, New York, and Norman H. Davis, Under Secretary of State during the Wilson administration, who recently went abroad for President Hoover to study the debt situation.

Immigration

A few minor immigration bills may be considered during this session, but no far-reaching measures will be considered.

"Lame Duck" Ammendment

On January 23 the Missouri Legislature ratified the Twentieth Amendment to the Constitution changing the date of the meeting of Congress and of the inauguration of the President and Vice-President.

As Missouri was the 36th State to ratify, the amendment was, by its action, adopted.

The full text of the Amendment, which goes into effect after the next Congress meets and will shorten the Roosevelt Presidential term, follows:

Section 1. The terms of the President and Vice-President shall end at noon on the 20th day of January, and the terms of Senators and Representatives at noon on the 3rd day of January, of the years in which such terms would have ended if this article had not been ratified; and the terms of their successors shall then begin.

Section 2. The Congress shall assemble at least once in every year, and such meeting shall begin at noon on the 3rd day of January unless they shall by law appoint a different day.

Section 3. If, at the time fixed for the beginning of the term of the President, the President-elect shall have died, the Vice-President-elect shall become President. If a President shall not have been chosen before the time fixed for the beginning of his term or if the President-elect shall have failed to qualify, then the Vice-President-elect shall act as President until a President shall have qualified; and the Congress may by law provide for the case wherein neither a President-elect nor a Vice-President-elect shall have qualified, declaring who shall then act as President, or the manner in which one who is to act shall be selected, and such person shall act accordingly until a President or Vice-President shall have qualified.

Section 4. The Congress may by law provide for the case of the death of any of the persons from whom the House of Representatives may choose a President whenever the right of choice shall have devolved upon them, and for the case of the death of any of the persons from whom the Senate may choose a Vice-President whenever the right of choice shall have devolved upon them.

Section 5. Sections 1 and 2 shall take effect on the 15th day of October following the ratification of this article.

Section 6. This article shall be inoperative unless it shall have been ratified as an amendment to the Constitution by the Legislatures of three-fourths of the several States within seven years from the date of its submission.

National Defense

The annual battle over the expenditures for the army, navy and marine corps is being fought out in Congress in the consideration of the War and Navy Department appropriation bills. So far no action producing an adverse effect on the service has been taken. Reductions in certain appropriations have been made, but they are acceptable to the heads of the War and Navy Departments in the general interest of economy.

Philippines

The passage of the Hawes-Cutting bill granting independence to the Philippines after a ten-year transitional period by the Senate was not unexpected, but its re-passage by both houses over President Hoover's veto came as something of a surprise.

Under the provisions of the bill the Philippine Legislature must ratify the proposal before it goes into effect. Opinion in Washington seems to indicate that the Filipinos will accept the terms set forth in the bill.

Russia

As is the case with other major problems before Congress, the question of the recognition of Russia will go over until the extra session. Senator Borah's resolution in the Senate and Representative Sabath's resolution in the House will not in all likelihood be reported. Supporters of Russian recognition predict that the matter may be settled by the new administration through diplomatic negotiations. By this means the President could appoint a minister or ambassador to Russia with instructions to negotiate the usual treaty. In that event the Senate would come into the picture when the nomination of the American minister or ambassador to Russia was sent to it for confirmation. If the Senate confirmed the nomination, there would be no occasion for any other action in Congress.

In fact, Congressional action prior to action by the President, would not be binding upon the President in any event, since the Constitution of the United States gives the President authority to negotiate treaties. The power of the Senate comes into play after a treaty is negotiated, since a treaty, to be binding, must be ratified by a two-thirds' vote of the Senate. The House has nothing to do with treaties whatever.

It has happened, however, that resolutions have been passed by the Senate or the House or both, urging the Executive to make or abrogate treaties and that this expression of vows of Congress has resulted in action by the Executive. This was true in 1911 when Congress passed resolutions calling for the abrogation of the then existing trade agreements with the old Russian government because of the alleged discrimination of that government against Jews. This resulted in sufficient pressure being brought to bear on the administration to cause the treaty to be abrogated.

It is for this purpose—the crystallization of public opinion in behalf of recognition of Russia—that the pending measures were introduced.

Stock Market Investigations

The Senate Committee on Banking and Currency has resumed its investigation of stock exchange practices. The committee engaged a New York attorney, Irving Ben Cooper, who had figured prominently in the Seabury investigation of Mayor Walker, to assist in the stock market investigation. After a few days in Washington, Mr. Cooper resigned, stating that it had been agreed that he should have a free hand, but that the agreement had been broken by Senator Norbeck, chairman of the committee, when he insisted that the committee's special investigator, John Marrinan, should sit in at all times with Mr. Cooper and his assistants.

Later Senator Norbeck appointed, as attorney for the committee, Ferdinand Pecora, former assistant district attorney of New York City. When Mr. Pecora takes over his new duties the investigations will be renewed.

Tariff

Efforts are being made to have American tariffs raised as a protection against the influx of manufactured goods from foreign countries with depreciated currencies—notably Japan and Czechoslovakia. Bills designed to meet this situation are before the House Committee on Ways and Means, which will hold hearings on them. No action is expected at this session.

Taxes

It has been agreed by the Democratic leaders in the House that no tax legislation will be attempted at this session. The plan is to await the returns from the income tax collections in March and then make an effort to balance the budget.

Veterans

That any major legislation affecting veterans will be passed at this session is now extremely doubtful.

At the close of the last session a joint resolution was passed appointing a special joint committee of the Senate and House to consider and report on economies in veterans' affairs.

The members of the Senate on the committee are Senators Walsh, Mass., D., chairman; George, Ga., D.; Hatfield, W. Va., R.; Robinson, Ind., R., and Brookhart, Iowa, R. The members of the House on the committee are McDuffie, Ala., D., chairman; Milligan, Mo., D.; Boehne, Ind., D.; Chiperfield, Ill., R., and Taber, N. Y., R.

This committee was originally instructed to report its findings by January 1, but an extension of time was granted and the report is now due to be made on March 3.

The committee began hearings in December and is expected to finish them during the latter part of January.

It is expected that the committee will make a report and that this report will be the basis for the preparation of legislation in the next session. This report, under the provisions of the resolution creating the special committee, will cover every phase of veterans' legislation, the principal aim being to discover how various expenditures for veterans may be reduced. It will include, of course, recommendations regarding the bonus.

The Students' Laboratory

☆

The Students' Question Box

Solutions of Problems Involving the Practical Application of the Theory of the American Government

Articles on the Operation of the Federal Government

Replies to Queries

Q. If the President-elect should die before his inauguration, who would be President? J. L. R.

A. The Presidential electors, chosen in a Presidential election, meet in their respective State capitals on the second Wednesday in January following the election to cast ballots for President and Vice-President.

This ends their duties. Their ballots are then sent to Congress and are counted in the House of Representatives on the second Wednesday in February. On this occasion nothing by the House is done but the official counting, the House not being empowered to do any more.

No change can be made in the vote of the electors as cast a month previous. This ends the process of electing the President and Vice-President.

Now then:

1. If the man who has received the highest number of electoral votes in the Presidential elections dies before the electors meet on the second Wednesday in January following the elections, the electors might vote for the Vice-President-elect, substituting him for the President, or they might, under their constitutional powers, vote for someone else.

Thus, if Governor Roosevelt had died before January 11 of this year, the Electoral College, the members meeting in State groups in their respective States, could elect Speaker Garner President, and probably would have done so.

2. But if Governor Roosevelt should die between January 11 and March 4, after he was chosen by the electors but before the date set for his inauguration? The Electoral College has elected Speaker Garner Vice-President. On March 4, Speaker Garner would take the oath of office as Vice-President and would then automatically become President, as soon as he had taken a second oath, this time as President.

3. But if both Governor Roosevelt and Speaker Garner should die between January 11 and March 4, no one knows what would happen. There is no provision either in the Constitution or the Act of Succession, passed by Congress in 1886 covering such a contingency and an absolutely unique situation would arise.*

Q. What is a recess appointment? A. E.

A. Certain officers of the Government must, under the law, be appointed by the President and confirmed by a majority vote of the Senate. If the President makes one of these appointments while the Senate is in session, the appointee cannot act officially in the office to which he had been appointed until the Senate has confirmed his appointment. But if a vacancy occurs when the Senate is in recess the President may fill it by a "recess appointment." In that case the person appointed may take the oath of office and perform the necessary duties. As soon as the Senate convenes, however, the President sends in the appointee's name. If the Senate confirms the nomination the appointee remains in office. If it rejects the nomination, the President must nominate another for the place.

Q. What is meant by a "Continuing Resolution"? G. L. B.

A. It sometimes happens that in the closing hours of the final or short session of Congress one or more of the annual appropriation bills is caught in a legislative jam and cannot for one reason or another, be passed. This situation may be due to a filibuster or to a general disagreement over provisions of the bill.

If the bill fails it means that the Department covered by the bill will be without funds, since Congress appropriates money for the operation of the Government from year to year only.

Therefore, it sometimes occurs that, to take care of this situation, a joint resolution is introduced and passed providing that the same appropriations passed for that Department for the current year are to be continued for the ensuing year.

In other words, a "continuing resolution" is a resolution continuing for another year the existing annual appropriations.

*See "Lame Duck" Amendment p. 60.

How Uncle Sam's Laws Are Made

Series by Norborne T. N. Robinson

The following article is the ninth of a series of consecutive articles in which all phases of House and Senate procedure will be described. The articles are being prepared with the aid of the leading parliamentary authorities at the Capital, including members of both the Senate and the House and officers of those two bodies.

RULE XIII of the House of Representatives provides that there shall be three calendars to which all business coming before the House shall be referred and states:

"First. A Calendar of the Committee of the whole House on the State of the Union to which shall be referred bills for raising revenue, general appropriation bills and bills of a public calendar directly or indirectly appropriating money or property."

This rule makes this calendar, generally termed "The Union Calendar," the most important calendar of the House. Every bill for the raising or spending of money must be printed on this calendar before it may be considered. Thus, no bill of vital national importance could be suddenly reported and rushed through without full notification to all Members of the House nor without consideration by at least 100 members, since that many must be present on the floor of the House before the Union Calendar may be taken up.

All bills printed on the Union Calendar are listed in the order in which they are reported from committee, but this does not mean that they are considered by the House in that order. Rather, are they considered in the order that the leaders of the majority party of the House consider their importance entitles them to be considered.

For example, there might be and usually are, a hundred bills on the Union Calendar when one of the annual appropriation bills is reported from the Committee on Appropriations. In that case the Committee on Rules comes into action. The party leaders decide on a given day for the consideration of the appropriation bill, which is of far greater national importance than any of the bills on the Union Calendar. On the day decided upon the Rules Committee brings in a resolution for the adoption of a special rule for the immediate consideration of the appropriation bill. This resolution is in the hands of the chairman of the Rules Committee. The Speaker recognizes him to call up the resolution. The chairman explains the purposes of the resolution and calls for a vote. If a majority of the House supports the chairman's motion to adopt the resolution it carries and the appropriation bill is taken up.

But if there is no bill demanding urgent attention, the regular order of the bills on the Union Calendar is followed.

Since there are always bills before the House for the raising or spending money, the Union Calendar is watched closely by the majority leaders. By the adoption of special rules for the consideration of the measures they consider most important, the leaders keep a close rein on all such legislation.

The Rules of the House are so drawn that the majority can always control the flow of bills. Once in awhile the House gets out of hand but this is usually the case only when the majority party has a small margin of votes to work with. Given a substantial party majority in the House, the leaders can see to it that the House transacts business in a prompt and orderly manner.

Rule XIII further provides that there shall be:

"Second. A House Calendar, to which shall be referred all bills of a public character not raising revenue nor directly nor indirectly appropriating money or property."

Rule XXIV, Clause 4, provides:

"After the unfinished business has been disposed of, the Speaker shall call each standing committee in regular order, and then select committees, and each committee when named may call up for consideration any bill reported by it on a previous day and on the House Calendar, and if the Speaker shall not complete the call of the committees before the House passes to other business, he shall resume the next call where he left off, giving preference to the last bill under consideration: Provided, That whenever any committee shall have occupied the morning hour on two days it shall not be in order to call up any other bill until the other committees have been called in their turn."

Thus the bills on the House Calendar are not called up in the order in which they appear on the list, but in the order of the committees by which they were reported. The committees are listed on the Calendar and are called upon in regular rotation. If the committee at the top of the list on any day has no bills on the calendar it is passed over and not called again until the entire list of committees has been gone through.

The "Consent" Calendar and the Private Calendar will be described in the March number of the DIGEST.

Congress and Farm Problem *Cont'd*

try a check with Department of Agriculture figures and other records. The individual allotment would be in number of brood sows.

At the outset of the allotment year for hogs the Farm Board would estimate the annual domestic consumption of hog products; this, divided by the total number of brood sows, would give the domestic consumption ratio of pounds that may be marketed, under the allotment contract, by each farmer, and receive the bonus of 3 cents per pound. In addition, the Farm Board shall estimate the exports of hog products and divide this by the number of brood sows in the country, and this would give the ratio of pounds each farmer might sell in addition to the domestic-consumption ratio. The sum of the two would be the maximum number of pounds he would be permitted to market for slaughter. The Farm Board must be required to revise its estimate of both domestic consumption and exports each month, each time on an annual basis, for guidance to the farmer through the resulting ratio for each also announced at the same time.

Each farmer would be required to report on a form provided each sale of hogs, either for breeding, for feeding, or for slaughter. At the end of the year the county commission would total his sales for slaughter. If the total did not exceed the total indicated by the sales ratio as announced by the Farm Board, multiplied by the number of sows allotted to him, he would receive an allotment certificate of 3 cents per pound on the total number of pounds allowed him under the domestic consumption ratio. However, if his total sales for slaughter should exceed the gross sales allowed under the gross-sales ratio, then the excess shall be deducted from the number of pounds on which he receives a bonus.

For example: A farmer's allotment of brood sows is 10; the domestic consumption ratio for the year as announced by the Farm Board is 1,000 pounds per sow; and the export ratio is 100 pounds, the sales ratio, of course, being 1,100 pounds. If the farmer had sold for slaughter not more than 1,100 pounds, he would receive on his allotment certificate $300. If, however, he had sold 13,000 pounds in all, the excess of 2,000 pounds would be deducted from the 10,000 pounds on which otherwise his bonus would be figured; so that instead of $300, he would receive $240.

In operation this would result in each farmer selling his drove when it about reached the gross allowed him. With small litters it would mean heavy hogs; with large litters, light ones. In the case of hogs, certificates must be transferable, in whole or in part. Thus, if a farmer lost his hogs by cholera, he could sell his certificate; thus providing insurance for his hog crop. If his feed crop should fail, he could sell his pigs and also his certificate. Thus there would be entire freedom in the handling of droves.

A tax of 3 cents per pound on lard substitutes must be provided by the act if it applies to hogs.

This automatic balance between consumption and supply of hogs would in itself completely stabilize the market, do away with extremes in weights and violent fluctuations in markets. If sales were diverted to beef and mutton, the sales ratio would immediately come down, so that there would be no excess on the market. The packer would be protected, and if futures on exports are recognized, it should greatly assist the packer in handling product.—*Extracts, see 4, p. 64.*

This Month's Contributors

Hon. Arthur Capper, U. S. Sen., Kans., R.
Hon. John D. Clarke, U. S. Rep., N. Y., R.
Hon. Clifford R. Hope, U. S. Rep., Kans., R.
Hon. George Huddleston, U. S. Rep., Ala., D.
Hon. Thomas A. Jenkins, U. S. Rep., Ohio, R.
Hon. Marvin Jones, U. S. Rep., Tex., D., Chairman, House Com. on Agri.
Hon. John C. Ketcham, U. S. Rep., Mich., R.
Hon. William F. Kopp, U. S. Rep., Iowa, R.
Fred J. Lingham, Pres., Federal Milling Co., Inc., Lockport, N. Y.
Hon. Joseph W. Martin, Jr., U. S. Rep., Mass., R.
Oscar Mayer, Mayer and Co., Madison, Wisc.
Hon. William L. Nelson, U. S. Rep., Mo., D.
W. R. Ronald, Editor, Mitchell Evening Republican, S. Dak.
Hon. Donald F. Snow, U. S. Rep., Maine, R.

This Month's Sources

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